

Elias changes with retailing

Although retailing has changed enormously in the 31 years since Bernie Elias began in the business, the merchandising side of the profession still requires one basic skill: The knack for judging how well a product will move through one's stores.

"There's really no scientific way to teach that," says Elias, who currently oversees hard lines for Family Dollar Stores.

Elias has been helping school buyers since 1971, when he became hard lines general merchandise manager at Giant Food, which operated both discount and food stores at the time. In 1979 Elias moved over to Family Dollar, which was just embarking on what was to become a period of explosive growth.

"It's very gratifying to be on something like this and to know that you've helped make it hap-



Elias stresses gmmer's need for good judgment.

pen," says Elias.

Elias was clearly meant to be a retailer, and he says that what he enjoys most about his current job is that it gives him the opportunity to continue performing many of the tasks of a buyer

while also engaging in more activities typical of upper management, like long-range planning.

"You have to be well-organized. It's one of the most important qualities for this job," says Elias.

To discipline himself Elias has developed a regular routine which begins when he checks data-processing reports from the distribution center and stores first thing every morning.

Eying the computer printouts, however, is just one part of his job. Blending the talents and personalities of a group of buyers is more difficult. "It would be easy just to take one buyer aside and teach him all you know about the business. What's harder is to take a group of buyers with different personalities and blend them together into a productive unit," he says. □

than their hard lines colleagues, no doubt because of the seasonal nature of their business and the need to keep abreast of changes in fashion.

Despite all of this experience and confidence in their capabilities, most merchandising executives were unable to say exactly what they consider the most important skills for their jobs. More than half of the respondents could finger no one skill, while 15% listed people management and 5% mentioned financial skills.

The gmm's were distinctly more precise about when they expected to be promoted. Indeed, 41% said they have either an excellent or a very good chance of being promoted soon. Another 35% rate their oppor-

tunities for advancement in the near future as good. Department store executives are the most confident about their chance for promo-

tion, while discounters and variety store executives are least optimistic about climbing the retailing ladder any time soon. □

Where GMMs want more training . . . for themselves

	Department store	Discount store	Specialty store	Big 3	All GMMs
Computer systems	63%	42%	39%	57%	51%
Communication	46	34	39	39	38
Motivating employees	23	26	56	39	32
Training employees	29	37	39	22	32
Planning	29	32	28	39	30

. . . for their buyers

	Department store	Discount store	Specialty store	Big 3	All GMMs
Computer systems	48%	50%	39%	48%	45%
Negotiating	34	47	44	57	44
Planning	34	53	56	39	44
Communication	46	37	33	26	35
Distribution	34	26	17	30	28

Source: Chain Store Age research

Study methodology

Chain Store Age surveyed general and divisional merchandise managers from the five general merchandise trade classes. A total of 500 questionnaires went out to hard lines and soft lines personnel of which 120, 24%, were returned completed.

The survey was returned by 38 discount store execu-

tives, 35 department store retailers, 23 from the Big 3 (Sears, Penney, Ward), 18 specialty storemen, four variety store merchants and two gmm's who did not identify their types of outlets.

Of the respondents, 53% had soft lines responsibilities, 43% hard lines and 4% unknown.



Over the past 10 years, only toys showed a significant improvement in its responsiveness to consumer needs.

Consumers cite lack of responsiveness

Asked to rank six consumer goods industries on responsiveness to consumer needs, shoppers gave only one category—toys—significantly improved marks from 1974 to 1983, according to surveys commissioned by the National Housewares Manufacturers Association.

The '83 survey, based on a random sample of 1,940 households drawn from the Home Testing Institute consumer panel of 125,000 households, parallels studies undertaken in '79 and '74. In each, shoppers were asked to rate—on a scale of one to six with six being most responsive to consumer needs—the food, apparel, housewares, furniture, toy and automobile industries.

Once again, the food industry was perceived to be the most responsive (this was also true in the two previous surveys) with an overall rating of 5.07.

Apparel ranked second and

housewares third, but these two categories plus food have remained remarkably stable in all three surveys.

On the other hand, the furniture, car and toy industries all rated less than three in the the most recent survey with furniture and cars dropping in rank. Happily for toy manufacturers and retailers, this category—which scored a dismal 2.19 in '74—has continued to steadily improve its ranking, climbing to

a 2.72 in the most recent survey.

Since apparel and housewares are both fashion categories—often responding to flashy fads like the apparel sparked by the movie "Flashdance" or timely trends like the move into gourmet cookware—quick responsiveness by suppliers is important in generating continuous sales for retailers.

Food, too, is getting into the fashion act. While no one may be surprised that Bloomingdale's is selling "gourmet" ice (a 35-oz. bag is \$7), more than a few eyebrows might be raised at the idea of K mart selling tins of caviar in some of its remodeled units.

Furniture, while also a fashion

Toy industry shows greatest improvement in its ranking			
	Average industry rank on responsiveness to consumer needs*		
	1983	1979	1974
Food	5.07	4.79	4.96
Apparel	3.81	3.72	3.84
Housewares	3.82	3.51	3.42
Furniture	2.97	3.24	3.20
Automobiles	2.91	3.29	3.39
Toys	2.72	2.46	2.19

Source: National Housewares Manufacturers Association survey on consumer purchase habits based on a scale of 1 to 6, with 1 being least responsive and 6 most responsive.

category, needs to change its sluggish image. Creating the right living environment is just as important as wearing the right apparel or serving the "in" foods on the correct dishes. Retailers have recognized this and many are beefing up their home departments to grab additional sales.

The movement into total home furnishings by name designers from Ralph Lauren shops in tony department stores to Gloria Vanderbilt boutiques in upscale discounters like Venture will only heighten the spotlight on the home.

Study focuses on singles: Because of changes in national demographics the '83 study focused on single consumers—baby boomers in their 20's and 30's and "empty

The survey underscores the need for manufacturers and retailers to work together.

nesters" in their 50's and 60's. These consumers generally looked more favorably on housewares, giving the category a 3.65 rating, and on apparel, its rating climbing to 3.98. Food dropped to 4.78.

Toys was ranked lower by singles, falling to 2.62. But these shoppers may have little awareness of new introductions or innovations in this industry which may partially explain the low rating.

Likewise, younger, more affluent consumers generally were more favorably impressed by the responsiveness of the housewares industry. These shoppers—often considered the trend setters or "influencers"—form the core of future housewares shoppers as they begin to set up housekeeping.

The survey underscores the need for manufacturers and retailers to continue working closely together to interpret and respond to consumer needs. While retailers can provide the theater—through exciting displays—there must be a constant flow of innovative, quality merchandise from manufacturers to fuel continued sales growth.

—Christina Gruber

Importance of price seen leveling off

The American consumer is judging housewares purchases with an eye more on color/design and quality and less on purse strings or the brand name attached to the item, according to a survey by the National Housewares Manufacturing Association.

Consumers were asked to rate the relative importance of six factors on their purchase of gadgets, cook and bakeware, serving and buffet products, bathroom accessories, small electric appliances and outdoor products. The mention of price as the most important factor either remained the same as in a similar survey conducted in '79 or

declined slightly in all six product categories.

The importance of color/design has increased since '79 in every category except serving and buffet accessories while brand name significance fell in all six.

As price shopping becomes less important, retailers in both department stores and discounters who are upscaling their mix and presentation should reap the benefits. Price may become even less important as consumer interest in gourmet foods and cookware—usually very pricey items—translates into the rule rather than the exception.

The effects of this subtle shift

Department stores reap lion's share of bathroom, serving products business

	Discount		Department		Hardware		Other*	
	'83	'79	'83	'79	'83	'79	'83	'79
Gadgets	48%	53%	24%	24%	6%	10%	22%	13%
Cook & bakeware	43	53	38	24	9	10	10	13
Serving & buffet products	30	33	53	57	3	6	14	4
Bathroom accessories	35	40	51	47	4	6	10	7
Small electrics	49	53	34	33	8	10	9	4
Outdoor products	42	46	21	20	33	30	4	4

*Includes catalog showrooms, food stores and variety stores
Source: Chain Store Age/NHMA survey of consumer purchase habits

Price is less important to singles than to the general public

Gadgets

1979 42%
1983 40%
Singles '83 37%

Cook & bakeware

1979 34%
1983 34%
Singles '83 32%

Serving & buffet products

1979 35%
1983 34%
Singles '83 31%

Bathroom accessories

1979 32%
1983 31%
Singles '83 29%

Small electric appliances

1979 37%
1983 37%
Singles '83 36%

Outdoor products

1979 49%
1983 48%
Singles '83 43%

Source: Chain Store Age/NHMA survey of consumer purchase habits

away from price are already apparent. For all six categories, the reported popularity of discounters decreased from '79 while department stores made significant gains. Single consumers were even less enchanted with discounters.

This group of consumers (mostly in their 20's-30's and 50's-60's) registered more concern with color/design and selection and less with price and brand than the general public. So, it is not surprising that they are willing to pay for quality and prefer department stores.

The growing availability of trendy off-price housewares stores and the promotional climate in many department stores may signal the continuing erosion of discounters' market share.

The importance of display was underscored by the survey. Consumers reported they depend on in-store displays as well as print and electronic media advertising for information on new products.

While department stores generally get high marks for display, discounters often let the self-service environment do the selling without creating excitement about new products.

Overall, American consumers believe that housewares products are well made, but the perception that items are usually inexpensive/reasonably priced decreased in all six categories since '79.

Design is important to consumers: Six out of 10 consumers polled said they have a particular theme or decor in their kitchens, with the highest rating coming from higher income shoppers aged 40 to 49. Just 54% of singles mentioned a specific kitchen decor.

Country decor is named by 30% of consumers polled (25% of singles) with traditional and modern both garnering 19%. Contemporary is cited by 24% of singles but only 13% of the general population.

The survey indicates that consumers try to coordinate their housewares purchases with the color/decorating themes in both their kitchens and bathrooms, a trend that will probably continue as the home continues to be an ego-sensitive fashion statement. □

Home products pace sales gains

The home as a rediscovered and pampered castle became highly evident last year. Merchandise departments identified with home beautification, decor and entertainment enjoyed the best sales gains, many in double digits, while only hosiery, among apparel categories, managed at least a 10% increase.

Overall, general merchandise sales increased 9.2% to hit \$459 billion.

As it did a year ago, lawn and

Home beautification and entertainment merchandise enjoyed the best sales gains.

garden led all departments in percentage gains. Its 21.3% boost followed a 28.3% hike in '82. Consumers just seem to be taking better care of their greenery and surrounding themselves with better lawn furniture.

There's hardly any other explanation for such growth in an area that has not had the benefit of numerous and exciting product introductions.

Consumer electronics has so benefited. For retailers the toughest part of running a CE department was not building sales but maintaining gross margin.

Domestics and housewares, the latter both of the electric and nonelectric variety, garnered better than average sales increases.

As a fashion statement vehicle, domestics appears to just be hitting stride. Last year's Ralph Lauren shops have been the vanguard for more interest by department stores in the offerings of Yves St. Laurent, Terence Conran and Perry Ellis, while discounters have turned to Gloria Vanderbilt for cache.

Toys and hobby crafts received strong support for basic toys and crafts.

Top 20 departments

Rank	Department	1982 sales	1983 sales	% change
1	Automotives	\$ 72,100,000,000	\$ 76,400,000,000	+ 6.0
2	Hardware	57,800,000,000	62,500,000,000	+ 8.1
3	Women's wear	42,300,000,000	45,900,000,000	+ 8.5
4	Nonelectric housewares	26,200,000,000	29,100,000,000	+11.1
5	Lawn/garden	23,600,000,000	28,600,000,000	+21.3
6	Consumer electronics	24,500,000,000	28,000,000,000	+14.3
7	Stationery	23,000,000,000	25,800,000,000	+12.2
8	Men's wear	20,500,000,000	21,800,000,000	+ 6.5
9	Footwear	19,700,000,000	21,000,000,000	+ 6.6
10	Domestics	14,800,000,000	16,600,000,000	+12.2
11	Cosmetics/H&BA	16,000,000,000	16,300,000,000	+ 1.9
12	Electric housewares	14,100,000,000	15,700,000,000	+12.1
13	Children's wear	14,500,000,000	15,600,000,000	+ 7.6
14	Sporting goods	13,000,000,000	13,500,000,000	+ 4.1
15	Toys	9,000,000,000	10,400,000,000	+15.6
16	Photo	9,800,000,000	10,400,000,000	+ 6.1
17	Accessories	7,900,000,000	8,900,000,000	+12.0
18	Hosiery	4,400,000,000	4,800,000,000	+10.0
19	Sewing	4,000,000,000	4,000,000,000	N/C
20	Hobby/Crafts	3,200,000,000	3,700,000,000	+16.1
	Totals	\$426,400,000,000	\$459,000,000,000	+ 9.2

*Total industry sales including specialists, drug stores and supermarkets.

Source: Chain Store Age research

ACCESSORIES

Sales: \$8.9 billion



This year color has had a major impact on accessories.

Belts unbuckle accessories biz

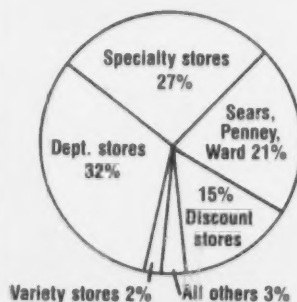
It was a very good year for accessories in 1983—the only thing retailers had to do for sales was to carry merchandise. With some retailers reporting exceptional gains exceeding 30%, the industry's volume approached the \$9 billion mark. Overall, the \$8.9 billion total represented a 12% increase in 1983 sales over 1982's \$7.95 billion.

"It was an excellent year," says Warren New, accessories dmm at Gottchalk's. "The market came up with new concepts and directions that impacted all areas."

Jewelry, by far, was the most affected and led the category in sales gains. "It's right at the sensational level," says Allen Day, Duckwall-ALCO's accessories dmm.

Twisted beads and the African Safari-inspired, chunky, clunky necklaces currently sweep the country with burnished metals gaining popularity. Retailers expect these trends to continue through to the end of 1984. Additionally, Foley's accessories dmm Ron Baltruzak sees a return to the styles from the 30's and 40's, noting the increased appearance of rhinestones and imitation gems.

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$170	\$140	\$115
Annual turnover	3.4	4.1	4.0
Gross margin	48%	45%	41.6%

Source: Chain Store Age research

Growth areas

- Belts
- Sunglasses
- Costume jewelry

Color, too, has had an influence on the accessories business, especially fashion items such as belts and sunglasses. All tiers of retailers report broadening their belt selections beyond the basic black, brown and beige thin leather dress belts. Now, they not only include a colorful array of thin belts, but also a rainbow of wider widths. In fact, Duckwall's Day and Foley's Baltruzak point out that it is these wider belts that currently lead the belt classification in sales.

As for sunglasses, the classification has grown into a year-round fashion business thanks to the acceptance of a broader color spectrum. In addition to replacing lost pairs, women are coordinating sunglasses to outfits and varying their appearances with different frames, say the merchants. Gottchalk's New adds, "We're selling two and three pairs at a time."

Other women's accessories that have had good track records are animal/people slippers, hats and gloves. For example, Gottchalk's had a spectacular '83 Christmas selling through 16,000 pairs of people slippers while Duckwall-ALCO does year-round big business with painter's caps at \$1.99-\$3.69.

At a Northeast department store company with a 1983 estimated volume of \$400-plus million, colorful knit gloves boosted last winter's accessories sales. This fall, the dmm expects the color trend to continue, in addition to fashion-forward leather gloves (such as those tying at the wrists) adding to volume.

Even men's accessories continues to pick up speed this year, after accounting for 8.6% of last year's total accessories volume. Gottchalk's men's dmm Ron Gernandt says, "The men's accessories business is improving each year. Anything that's useful or functional, like tie clasps, pin throughs, lint brushes or tote bags, is doing well."

Last year men's accessories had a small sales increase of approximately 4% while unit sales slipped slightly by 0.5%. Ties and wallets were the only categories to advance. □

AUTOMOTIVES

Sales: \$76.4 billion



People are keeping cars longer, and spending more on dress-up.

DIY down, dress-up up

Sales of new cars are on the increase. For the first four months of '84, 3.5 million new cars rolled out of dealerships and onto the roads, according to the Department of Commerce. During the same period in '83, only 2.8 million new cars were sold. This influx of new cars is lowering the average age of cars on the roads slightly. However, for every new car sold, three used cars change hands.

This doesn't necessarily mean bad news for the automotives aftermarket. But retailers may have to rethink merchandise mixes to carry the items new car owners and new used car buyers want.

The hottest-performing category over the past year has been interior dress up—seat covers, car mats, decoration and cover-up items. One \$200 million East Coast discounter notes that seat cover business was up 250% over '82, and mats were up 175% over the preceding year.

Consumers are also willing to trade up to the fancier, higher-priced styles. Genuine sheepskin seat covers, priced at \$47-\$50, are moving out of discounters.

"People are keeping cars longer and are spending more to keep them looking good," says a source at the East Coast discounter. "Car owners are very conscious of resale value."

"Seat covers are an excellent category," says Robert Bleakly, senior buyer of auto accessories at K mart. He expects the business to keep up at the same rate through the end of '84.

While the discounters and catalog chains have been doing well in "dress-up" accessories, many other areas have been flat. "Many categories weren't particularly strong in '83, but we held our own," says K mart's Bleakly.

One surprising soft spot was waxes and polishes. With people

spending more to keep cars looking good, it was expected that finish protection would be a hot spot. The East Coast discounter thinks that with so many sku's available now, "customers are so confused they're going back to traditional waxes, like Turtle Wax. That business is up slightly, while the newer products, like Polymers, are down."

Also soft are some DIY categories. Sears has noticed a trend away from DIY, particularly in shock absorbers. "Instead of carrying them out, customers are having us install them," says Dick Willoford at Sears. That may be O.K. for Sears, which handles both DIY and installation, but bad news for stores with take-out-only departments.

Another area where stores can expect to see less DIY volume is in suspension parts, thinks Willoford. More cars today are utilizing MacPherson struts, which are harder to install.

With more newer cars on the road, some tune-up items will get softer. More cars today have electronic ignition which don't need points and condensers. Customers with electronic ignition cars will also be less inclined to try to do tune-ups themselves, retailers believe.

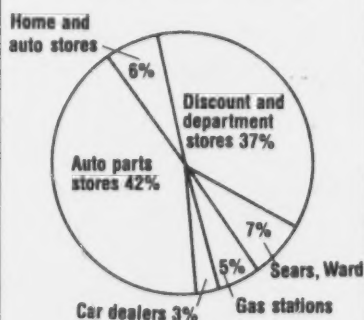
Car sound was iffy, with Sears reporting weak sales in '83 but a pickup in '84. K mart expects good sound sales in '84 with its brand name program featuring Jensen and Panasonic.

The next year will find retailers rethinking automotives mixes to eliminate soft DIY lines. More square footage will be devoted to the more profitable dress-up items that any car owner can install.

However, some chains are still bullish on DIY. K mart has opened for auto parts centers in the Mobile, Ala., area, with 10,000 parts in a self-service format. The parts centers stores may possibly replace the automotives centers that K mart closed in the South last year.

Ford Motor Company is also getting into the DIY area with Ford parts stores set up in dealerships across the country. □

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$95	\$122	\$120
Annual turnover	2.2	3.0	3.3
Gross margin	29.1%	27%	26.7%

Source: Chain Store Age research

Growth areas

- Seat covers
- Car mats
- Car stereo
- Security

HARDWARE

Sales: \$62.5 billion



Hardware production often does not meet consumer demands.

Hardware out of the doldrums

After two years of sluggish performance, hardware sales grew to \$62.5 billion in 1983, up 8.1% from \$57.8 billion in 1982. Most buyers confirm sales increases last year, but there's little agreement as to just what accounted for the gain.

"There were no appreciable increases in any single category that would make you jump up and say, 'Hey—look here,'" says a buyer for an East Coast discounter with sales in excess of \$500 million.

The reason for any lack of agreement may be that many retailers are changing their target customer in response to an apparently segmenting market. Small businesses, white-collar hobbyists and do-it-yourselfers, and the traditional blue-collar consumer have, with varying degrees of success, each been targeted by different retailers as their primary customer base.

The triple-positioning of hardware in Sears "store of the future" prototype typifies a department moving in three directions at the same time. At the Sears prototypes, hardware is placed between paint and lawn and garden, which has been moved out of the

department and now receives a separate fashion treatment.

Hardware itself is targeted toward professional industrial tools for the small business, small tools for the home craftsman and traditional blue-collar staples. Sears apparently believes that there is no longer a single hardware market, but three.

Among general merchandisers, Sears is still the acknowledged leader when it comes to bench tools, but discounters are beginning to move into the category with some success.

"Bench tools are definitely on the rise," says a mid-Atlantic discount merchandise manager. "For many mass merchandisers it's a relatively new category that will probably grow even bigger this year. The only problem is how many times somebody is going to buy them—it's not a repeat business."

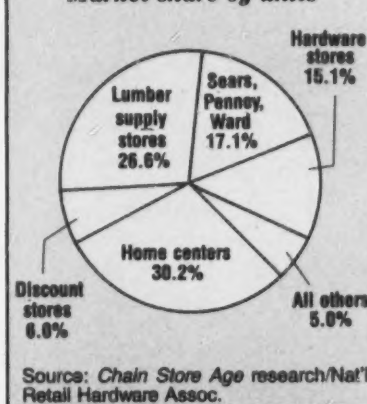
Power tools are a different story. Most buyers report sales have remained stagnant over the last three years. "It's a dwindling business," says the East Coast discounter. "If you want proof of that, just look where Black and Decker is spending its advertising money—in anything but power tools."

Paint, pegged as a major growth area last year, proved a disappointment for many retailers. Last year's wet spring and increases in petroleum product prices combined to produce poor external paint sales.

The single point of agreement among hardware buyers was strong growth in ceiling fan sales. "It's been absolutely phenomenal," says the mid-Atlantic discounter. "Styling has been improved and upgraded, and we promote them as decorative and energy-saving."

The single bone of contention among buyers this year is a common complaint that it's increasingly difficult to get product from manufacturers. A rebounding economy has stretched shipping into the United States to the limit, and delays are common. Domestic manufacturers have also been caught off guard with production capacity not up to consumer demand. □

Market share by units



Productivity breakdown

	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$120	\$200	\$165
Annual turnover	1.8	3.6	2.6
Gross margin	33.9%	33.2%	32.1%

Source: Chain Store Age research

Growth areas

- Ceiling fans
- Craft and hobby tools
- Bench tools

DOMESTICS

Sales: \$16.6 billion



Better goods helped boost sales of basic sheets and towels.

Flannels heat up sheets business

Retailers are pleased with 1983's 12% to 15% increase over 1982's domestics sales. Moving away from the "52-week white sale" promotions by offering customers better and more fashionable goods helped boost basic sheets and towels to approximately one-third of the \$16.6 billion volume. However, the real growth came from building the smaller, under-developed businesses such as kitchen textiles and flannel sheets. This year, growth expectations continue along the same lines.

"Kitchen textiles has been a step-child in domestics," says an exec at an East Coast department store with a 1983 estimated volume of \$200-plus million. He explains that retailers have neglected the category, using funds to back other volume-producing departments such as sheets and towels. Although kitchen textiles can't produce the same kind of volume, the exec says its higher margins can add to domestics profits when supported by management.

Flannel sheets, too, have been an overlooked business. Calling it the "item of the year," domestics consultant Seymour Seidman predicts that the category will account for one-third of all sheets bought by retailers from February through August.

While retailers don't argue that

flannels are "hot," they do express concern that a repeat of last year's poor mill deliveries could cool off sales. In order to avoid this complication, some merchants say they

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$95	\$90	\$105
Annual turnover	2.0	2.0	2.5
Gross margin	41.7%	35%	33.1%

Source: Chain Store Age research

Growth areas

- Flannel sheets
- Kitchen textiles

have placed orders larger than last year's, earlier this season.

Danner's domestics buyer Mike Romero says "Flannel sheets were magnificent last year. We plan to double our business for fall."

Danner's will open its selection with a \$9.99 polyester/cotton twin. "We stayed away from imports [the primary source for all-cottons] because of price," says Romero. "Also the styling wasn't there."

A third category coming on strong is curtains and draperies. In particular, discounters say that consumer interest in country styling and in romancing their homes has pushed sales of Priscillas upward.

Department store execs, on the other hand, haven't experienced the same growth in this department and some have chosen to pare down or abandon the category. However, Emporium Capwell's home textiles dmm Robert Swenson says, "We're seeing the whole division grow. Draperies have been strong but perhaps it is due to our major competitor—Macy's—going out of the business."

Lastly, all retailers wait with bated breath as upscale discounters such as Bradlees and Venture test new merchandising concepts with Stevens' Gloria Vanderbilt collection. If these merchants are successful with it, it could change the way discounters sell domestics.

At Bradlees, for example, 300 to 700 square feet have been sectioned off to form freestanding Gloria Vanderbilt shops, similar to department store presentations of collections. Home textiles dmm Glenn Gately says that the shops will remain exclusively Gloria Vanderbilt at least through the fall season.

Another Bradlees first—also a department store knock off—is the use of actual beds displaying the Gloria Vanderbilt sheets. On nearby fixtures, the 200-thread merchandise is sold open stock instead of in sets which are used for 120 and 180 sheets at most discounters.

Additionally, the collection introduces new ceilings for price points. Previously, the top-priced Bradlees' bath towel was \$8; the Gloria Vanderbilt towel retails for \$10. □

FOOTWEAR

Sales: \$21 billion



Athleisure shoes continue to build traffic in shoe departments.

Sales solidify in jellies

Footwear sales jogged ahead 6.6% to \$21 billion in 1983 with dress and athleisure (those styles bought for casual and/or active use) leading the way. This year, retailers are getting mileage out of jellies (plastic shoes) and flats, while athleisure continues to spring upwards. "Anything that's a little different is selling," explains Ron Baltruzak, accessories dmm at Foley's.

And jellies are certainly different. These colorful plastic shoes, introduced last year and retailing as low as \$2 a pair on promotion, have taken the women's market by storm this season. "We can't keep them in" is the cry heard echoing from retailer to retailer. Their impact has been felt in all tiers of retailing from department stores on down to discounters.

Athleisure shoes, too, build traffic in shoe departments, although they continue to steal sales from true athletic footwear. While the trend in athleisure has been toward canvas-styled uppers for the past three years, the department store business has shifted to leather this year. Still, discounters report a strong business with the canvas-

styled athleisure shoes.

As in accessories, color influences consumer purchases of both the jellies and athleisure shoes. "We're selling more color than ever before," says Allen Day, shoe buyer at Duckwall-ALCO. "All colors are good." In particular, cobalt blue, red, bright yellow, pink, purple and turquoise are "hot" in casuals this year. Nonetheless, Foley's Baltruzak adds, "If someone would come out with neon colors [like those seen in Europe], we would have an incredible season!"

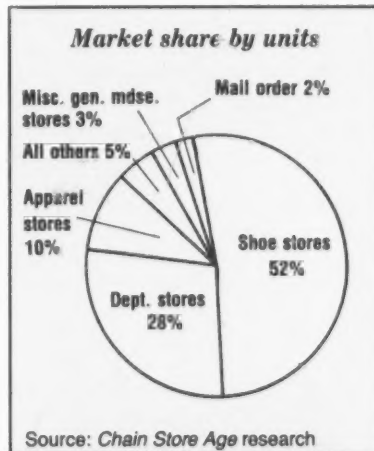
A secondary benefit to color is in the visual presentation, note retailers. Duckwall-ALCO's Day explains, "Color has helped the shoe department break out of the mundane." Until recently, footwear colors were limited to black, brown, navy, white and beige tones, the best-selling colors of "true" shoes.

Ken Crerar of the Footwear Industries of America (FIA) says that true shoes account for \$19 billion of the total 1983 footwear sales, showing a 9.2% gain over 1982's \$17.4 billion. In fact, discounters concur by citing large increases in this area. An exec with a shoe leasee of several major discounters, explains, "It's [women's dress shoes] something we haven't been in before. Pumps, especially, were big in 1983."

All other footwear sales fell 13%, notes the FIA statistics. Foley's Baltruzak adds, "Dress shoes were doing so well that most retailers bought into them heavily. Then the consumer wanted casual. We [the industry] couldn't change over fast enough [to help 1983 sales]."

Meanwhile, the dress category appears to be hibernating during the first three quarters of 1984. Retailers expect some movement in the last quarter as women replace worn-out items.

Flats, on the other hand, are capturing the unspent dress shoe dollars. All over the country, retailers say that their pump business has fallen off. According to fashion experts, flats are more in tune with today's exaggerated proportions of women's clothing. □



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$167	\$158	\$132
Annual turnover	2.1	2.0	2.4
Gross margin	44%	38.3%	37.8%
Source: Chain Store Age research			
Growth areas			
• Athleisure • Flats • Jellies			

CE/COMPUTERS

Sales: \$4.2 billion



Computer sales also boost peripherals, accessories and software.

Shakeout starts, but sales soar

It finally happened last year. After all the talk, grumbling and rumor, the much predicted shakeout in home computers actually came to pass. Texas Instruments left the home market with a bang. Mattel and others with a whimper.

Did that mean home consoles sold any less? Not in the least. Nearly 4.5 million units were sold last year with department stores and discounters upping their market share to a full 50%. By the end of 1983 household penetration had already reached 7%.

How much further can it go? This year industry analysts expect home machine sales alone to top \$2.5 billion. Software sales should tip over the \$2 billion mark, virtually doubling their 1983 performance.

But while sales continue to soar, the exit of key manufacturers from the low end of the market, lack of product at the middle and retailers hesitant to enter the high end seem sure to combine for major realignments.

With the Texas Instruments 99/4A and Timex Sinclair 1000 out of production, the lion's share of the low end home computer market has fallen into the lap of Commodore. The problem with Commodore, according to many retailers, is that it's easier to sell their product than it is to make a profit doing so.

"What Commodore did," says a

computer buyer for a mid-Atlantic discounter, "is that they wholesaled the 64 at \$190, then they turned around and advertised with the strong suggestion the machine re-

tailed at \$195. You end up losing money with every sale."

The response by many retailers has been an increased emphasis on packaged computer systems, peripherals, accessories and software, where gross margins remain a profitable 20%-50%.

"There's still money to be made even at the low end of the market," says Richardson, Tex.-based Future Computing analyst Tricia Parks. "Successful retailers are selling more than just consoles."

The perfect computer for the midmarket in 1983 should have been Coleco's Adam. The much ballyhooed computer/game machine/word processor/printer seemed destined for instant success. But Adam was plagued by frequent breakdowns and returns.

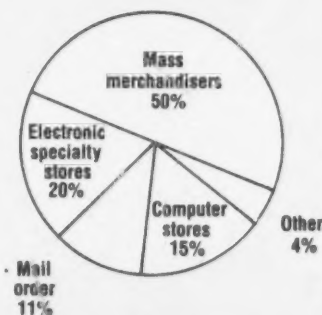
"We were returning almost as many as we were selling," says G. C. Murphy electronics buyer Frank Remaley. "Coleco is going to have to prove itself."

In 1984 the midmarket product gap will find new entries to plug the hole. The Apple IIe has finally made its long expected price drop and should grab a forceful market share. The delayed entry of the Japanese MSX machines into the American market should provide Apple with a clear opportunity to dominate the mid market. The unanswered question is whether or not such a market exists. Consumer research continues to show demand bunched at the under \$300 and over \$2,000 ends.

At the high end business and professional market, the competition is thick, but most chain buyers are still steering clear of top-of-the-line machines, even though they offer more stable and more generous gross margins.

There are major exceptions. Sears plans to double its Business Systems Centers this year for a total of 100. Department stores, including Macy's New York, its Bamberger's sister, Broadway southern California and Minneapolis-based Dayton's continue to take a strong position at the high end of the market. □

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	N/A	N/A	N/A
Annual turnover	N/A	N/A	N/A
Gross margin	24%	22%	18%

Source: Chain Store Age research

Growth areas

- Computer packages
- Peripherals
- Software

STATIONERY

Sales: \$25.8 billion



Drug chains and supermarkets control over half the market.

Food chains eat up market share

The upward trend in home office and stationery supplies continues unabated with chain retailers reporting 10% to 15% sales gains in 1983 and predicting similar increases for 1984.

But coupled with the sales surge is a continued realignment of market share. For the first time, drug chains and supermarkets now firmly control over half the market, prodding more traditional stationery sellers to reposition in response to increased competition.

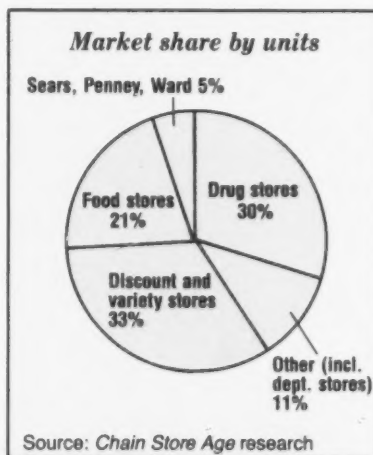
"Food chains are doing more stationery business now than ever before," says Woolworth buyer Bill Young. "At one time they didn't have the expertise, but now we definitely know they're out there."

In response to heightened competition, many general merchandisers are abandoning stationery basics for higher priced home office supplies and top-of-the-line writing and paper products.

"Department stores are losing business to the food stores," says Boston-based Filene's dmm John Lamonte. "The direction we are taking in our business is away from the budget and lower- to moderate-priced items on the dump table at the end of the spaghetti aisle. Instead, we're strongly going after the more sophisticated customer with upscale, upgraded, high quality, hi-tech goods. We're trying to set ourselves apart from the rest of

the industry."

Even venerable Woolworth is testing a series of upscale products including quality boxed stationery, paper for home computer printers



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$106.30	\$116.21	\$127.92
Annual turnover	2.8	3.2	3.6
Gross margin	42.5%	36.7%	39.2%
Source: Chain Store Age research			
Growth areas			
• Home office • Greeting cards • Erasable pens			

and computer disc storage devices with an eye toward chainwide distribution in the next year.

The move toward home office is prompting discounters to join the action. Typewriters, dropped by many chains in the last five years because of low profitability, are now making a comeback, often finding themselves cross-merchandised with traditional stationery products. Connecticut-based discounters Ames and Caldor have jumped in with entries at the low end.

Wal-Mart, the nation's second largest discounter, is taking the home office move an intriguing step further. The Arkansas-based retailer is now specifically targeting a portion of its stationery trade to the small business customer. After selling successfully at Sam's Wholesale Club, electronic cash registers have been moved into its regular store mix.

All of which is not to say that the staples of the stationery business are not performing well. Back-to-school goods, especially filler paper and theme books, continue strong in variety and discount stores, but are plagued by low margins generated by heavy promotion.

Frames, albums and desk accessories were strong performers for just about every category of retailer last year, and predictions for the current year are equally optimistic.

Greeting cards, unhampered by postal rate hikes for the last three years, continue their upward trend. "Sales have been surprisingly good," says Woolworth's Young. Industry sources expect greeting card sales to gain 10% this year to \$7.7 billion.

Erasable pens, pegged by some retailers last year as only a short-lived teen novelty, have proved they have broader and more lasting appeal than many expected. Fast sales continued beyond the back-to-school season, and with the pens finding their way into more and more adult pockets, industry observers suggest they have already become a permanent addition to the assortment. □

CHILDREN'S/INFANTS' WEAR

Sales: \$15.6 billion



Retailers hopeful about impact of birthrate turn-around.

Best gains for infants-toddlers

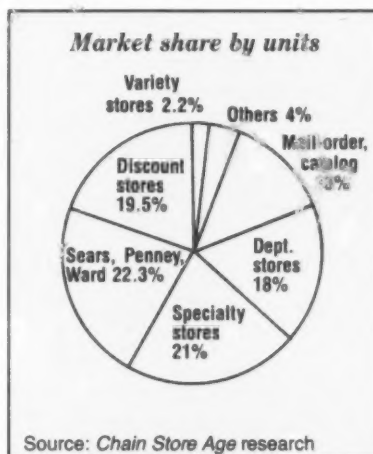
There's a boom about to take place in children's wear, say retailers, who see the growing birth rate, the strength of the economy and the recent resurgence in sales of preschool apparel as causes for optimism. In 1983, however, children's wear performed unevenly, with toddlers and infants merchandise showing impressive gains but sales of clothing for older children remaining soft.

As the birth rate has risen in the last several years, so have sales of children's apparel. In 1983 there were more births in the country than in any year since 1970, and sales of preschool apparel hit record highs, increasing by about 15% and leading the entire children's wear category to a moderate 7% sales gain.

Despite the sales growth in infants and toddlers, these categories remained extremely price competitive because of the continued spread of off-price outlets and the increasing aggressiveness of department stores. Many large department store chains have begun "everyday low price" programs or increased their promotional activity in basic lines to protect against further erosion of market share. In response to the opening of several Kids 'R' Us stores, Bamberger's slashed its children's wear margins and resolved to be priced as low as all competitors.

Perhaps the most dramatic result

of this intensified price competition is that the middle fell out of the infants and toddlers market last year. The high end remained stable because of the large number of gift purchases of children's wear. The basic business, however, dropped



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$93	\$111	\$103
Annual turnover	2.8	3.0	3.2
Gross margin	41%	39%	34.8%
Source: Chain Store Age research			
Growth areas			
• Toddler coordinates • Activewear • Esprit designerwear			

into the low-end as parents, who buy most of the basics, continued to demand strong values on children's wear.

The extreme emphasis on value helped make sets popular in infants and toddlers last year, especially jogging suits.

The popularity of jogging suits exemplifies a continued trend toward an older look in children's wear. Activewear, especially of fleece composition, remained strong, as did coordinated outfits tailored in adult styles.

"Fashion definitely became a more important factor in the toddler market last year for us," says Mary Ellen Alden, buyer at Carliste's, the Ohio-based department store chain. She reported strength in Christian Dior sportswear for children and T-shirts, shorts and jogging pants in the camouflage design which has been so popular with older children the last few years.

Sales of apparel for older children remained much more of a mixed bag in 1983, in part because of the uneven way designer lines performed. Discounters grabbed a larger share of the designer market, but they stayed with recognized names which have already peaked. In the high fashion end of the business, Esprit is quickly becoming the most notable name in girls' apparel. The line has been entrenched in West Coast department stores for several years and is moving East rapidly.

In boys' wear no clear winner emerged, although traditional names like Izod and Polo showed strength in secondary markets. A chain of 10 department stores in the Southeast has committed \$45,000 for new fixtures for Polo shops. Children's wear accounts for 6% of space in the chain's stores and is being expanded to make room for designer collections like Merona and Liz Claiborne.

Despite the instability of the older children's apparel market, most buyers are optimistic. It's only a matter of time, many of them believe, before the boom taking place in infants and toddlers rolls into the older segment of the market. □

COSMETICS/H&BA

Sales: \$16.3 billion



Discounters gain OTC drug market in spite of drug stores.

GMers gain in OTC drugs

Sales of over-the-counter drugs will double between 1982 and 1988, according to the Commerce Department, and much of that new volume will move through general merchandise chains, especially discount stores, which continue to gain market share at the expense of drug stores.

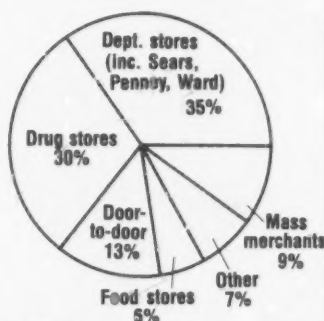
These stores now account for about 13% of category volume, up from 10% in 1981. The gains have come largely because of the vulnerability of independent drug stores, but even drug chains have not succeeded in stemming the flow of OTC sales toward outlets which do not have pharmacies. If the trend continues, general merchandise retailers will probably register sales of about \$2.5 billion in this category by 1988.

"We see OTCs as a major growth area," said Ken Colson, a divisional merchandise manager at Woolworth. "The chain's largest stores now carry 366 sku's in this category," continued Colson at a gathering of vendors focusing on trends in OTC sales, sponsored by C. H. Kline, a research company.

Colson's optimism and that of other general merchandise retailers is fostered by the increasing trend among Americans toward self-medication, a phenomenon nurtured by the Food and Drug Administration which, since 1977, has switched 25 products from prescription to OTC status.

In May, the F.D.A. cleared ibuprofen, the first new OTC analgesic made available in 25 years. Under the brand name Nuprin, it will offer an alternative to the aspirin, acetaminophen or combination products which now constitute the

Market share by units*



*Fragrances
Source: Chain Store Age research and Charles H. Kline Co.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$235	\$115	\$110
Annual turnover	2.8	3.1	4.4
Gross margin	39.0%	32.0%	21.3%

Source: Chain Store Age research

Growth areas

- Hair preparations
- Ethnic products
- Skin care
- Men's skin care

\$1.3 billion nonprescription pain-relief market.

Backed properly, new OTCs have proven they can sell well in stores which do not have pharmacists to counsel customers. Sudafed, once available only by prescription, is now among the top selling cough/cold remedies in discount stores.

Those kinds of results have encouraged general merchandisers to take a closer look at their OTC mix. Woolworth recently completed a series of nine planograms for its H&BA departments. OTCs occupy 21% of the space in the new sets. Woolworth now strives to deal directly with most vendors in the category. Nearly 9 out of every 10 non-prescription drugs Woolworth stocks are handled in this manner.

OTCs will clearly become more important to general merchandise retailers over the next few years. Not only will category volume grow rapidly, but many of the newest products on the market, especially those which come off the prescription list, will carry higher-than-normal gross margins.

In addition, general merchandise retailers are bullish on fragrances, now that the economy is back on track. Fragrances grew only 2% above inflation last year, according to the Commerce Department.

Skin care volume leaped ahead 20% over '82, as did ethnic products. Sales of ethnic products are expected to double over the next five years as the ethnic population grows to 47 million by '89.

Hair preparations are expanding at a 12% clip per year, thanks to new shampoo introductions and the return of hair spray and the new styling mousse.

Hot items for '84 will be the deocolognes—all over body sprays. Lever Brothers' Impulse already commands 3.5% of the deodorant/antiperspirant market. And this may be the year that men's skin care finally takes off. The Skin Control System, with the eternally youthful Dick Clark as spokesman, has been snapped up by Montgomery Ward and Penney. Sears is taking a wait-and-see stance. □

SEWING

Sales: \$4 billion



Sewing retailers have a hard time attracting working women.

Sewers stitch up stagnant sales

For sewing retailers, the best that can be said about 1983 is that it's over.

Cold, damp weather during the spring and excessively hot temperatures during the summer held the home sewing industry to a poor showing. For the third year, sales hovered around the \$4 billion mark.

"[Store for store] comparisons with '82 were hard to match as that was an excellent year," says Fabri-Centers of America senior vp Mike Feuer, "due to a major resurgence in the popularity of dresses and the blip caused by so many big retailers dropping out of the category."

"Naturally, '84 will be a better year as we're up against lousy numbers. People who put their dollars into durable goods in '83 will look to upgrade their wardrobes this year."

But retailers agree it was "Mother Nature" who really stemmed the tide of sales advances made during '82. And they worry that "Father Recovery" may further hurt the industry unless positive efforts are made to make sewing more attractive to more consumers.

The economic upswing—historically sewing prospers during poor economic times—could send consumers back to the racks for their apparel—especially to upscale, off-price retailers. "There's no doubt that off-pricers offering true designer fashions and not private label imports have hurt the industry,"

says a dmm for a southeastern fabric specialty chain. "We must emphasize fashion in '84."

Retailers do cite increased activity in designer patterns from the

major pattern houses as well as European fashions from Burda as boding well for better sales. McCalls, Vogue/Butterick and Simplicity all tout some of the biggest and best-known American and foreign designers in their books. The patterns are more expensive than others—up to \$12.

But consumers who purchase these patterns are generally serious sewers and also upgrade their fabric and notions to match the designer looks they plan to sew.

"Better fabrics are definitely becoming more important," says Gary Isaacson, president of The Fabric Place in Framingham, Mass. "Why should a customer spend several hours making a blouse out of a cheap fabric when she can buy something luxurious like pure Irish linen and make a classic that she'll wear for years."

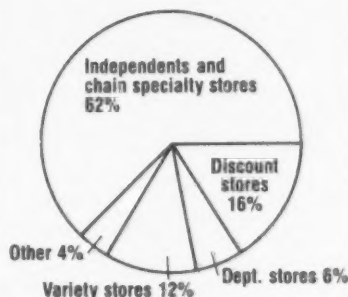
Once again, craft fabrics and patterns are an important part of retail sales. Wal-Mart, for example, plans to de-emphasize sewing fabrics and replace them with more craft-oriented fabrics as this is where future growth in the category will be.

At the same time, notions show steady sales growth. Variety stores like Woolworth and New York-based Lamson's find mending items sell very well to busy working women.

Perhaps as a hedge against the continuing stagnation of the sewing industry, some chains are looking into diversifications. Fabri-Centers recently announced it will open an off-price housewares store this fall. Called Cargo Express, the store will feature table top and housewares, and already there is talk of further expansion in '85.

Earlier this spring, House of Fabrics purchased the 35-store Craft Showcase chain from Cole National. While the craft chain had produced sluggish results for Cole for several years, management at House of Fabrics believes it will fit better into *their* business plan. A spokesman says the craft chain will expand this year while existing fabric stores add more crafts to their present merchandise mix. □

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$39	N/A	\$57
Annual turnover	1.5	N/A	2.5
Gross margin	41%	N/A	33%

Source: Chain Store Age research

Growth areas

- Craft fabrics
- Notions
- Designer patterns

WOMEN'S WEAR

Sales: \$45.9 billion



Women's fashions are influenced by movies, TV and the economy.

Flashdance in '83, MTV in '84

The most influential fashion trend for young women in '83 was inspired by a movie—*Flashdance*. This year, retailers are looking to MTV to dictate what young women want to wear.

Flashdance had juniors ripping up their T-shirts, or better yet for retailers, buying already-ripped looks at substantially higher prices than plain sweats. In 1984, junior fashion will be pretty flashy, with Michael Jackson, Boy George and Cyndi Lauper influencing styles, says Karen Bohnhoff, vp/trend merchandising at Dayton Hudson Stores.

But the androgenous look sported by Boy George and Eurythmics' Annie Lennox won't be confined to juniors. Better women's wear, which ignored the *Flashdance* off-the-shoulder trend last year, will also be looking more like men's wear in '84 and '85.

Women will have three options to choose from, says Lee Hogan Cass, vp/fashion director at The Broadway. The highly contemporary customer can opt for a severe, minimalist approach. The designer customer can pick looks by Anne Klein which feature a softened version. Or the shopper can put together her own personal men's wear look with jackets and trousers.

The remnants of 83's Japanese invasion—cropped pants, cleaned-up necklines, boxy tops—will also be with us through the end of the year. The Japanese influence has now impacted on juniors and dresses. "If

it's not taken to extremes it can be good," says Robert P. Moran, fashion merchandising director at Strawbridge & Clothier.

Starting in spring of '83, clothes grew longer, with two trends emerging—long and lean, and long and full. While retailers feel the long silhouette, either slim or full, is very important, Lucille Klein, di-

rector of fashion communications at Sanger-Harris, feels full will be predominant. "It's easier to wear than long and lean," she says. "Long and lean is just for a particular designer, better or advanced customer." With the men's wear influence, Klein thinks, silhouettes will be coming back to the body. "By the spring of '85, we will be wearing the clothes—the clothes won't be wearing us."

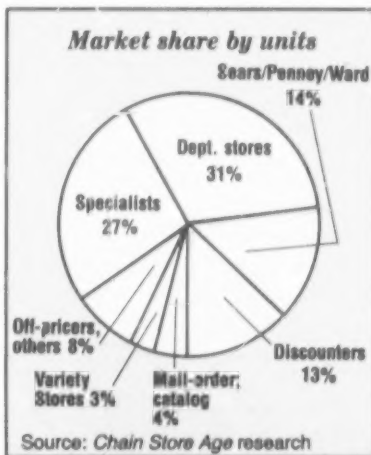
There will always be preppies, and K mart, for one, expects continuing business from button-down oxford shirts, argyle sweaters and chino skirts and pants. But for the better customer, there has been a move toward more individualistic dressing, away from strict tailoring and "prototype" outfits.

"This customer is willing to spend more on apparel if she thinks she can buy quality at a good price or a great-looking value," says The Broadway's Cass, "if the fashion is there." Cass feels, however, that those most willing to take fashion risks are the upwardly mobile, career-oriented women, aged 25-35.

Those just entering the work force, or in more conservative occupations, may only take a slight fashion risk—perhaps a longer skirt, a nontraditional blazer. "One of the hardest things to do is to get women attorneys in court out of their one-button blazers," Cass adds. Women on tight budgets will also tend to be more conservative in career apparel.

There are a number of factors which will support the individualistic look. One is the stronger economy. "When the economy is good you can sell better merchandise," says Strawbridge & Clothier's Moran. People are also more secure personally and professionally, and thus willing to take fashion risks. And the baby boomers who make up the bulk of updated customers are feeling a need to distinguish themselves from their peers.

Most retailers agree, however, that the telling factor is the economy. "The business is predicated on the economy," says Moran. "A year from now, who knows?" □



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$103	\$102	\$98
Annual turnover	4.2	4.1	5.2
Gross margin	42%	39%	36%
Source: Chain Store Age research			
Growth areas			
• Androgenous/men's wear • Japanese influence • Long silhouette			

HOSIERY

Sales: \$4.8 billion



Hosiery sales respond to women entering business world.

Sheers run hosiery sales up

After faltering slightly in 1982, hosiery sales strutted ahead 10% to \$4.8 billion last year. Fashion excitement and an improved economy were credited with hiking consumer purchases.

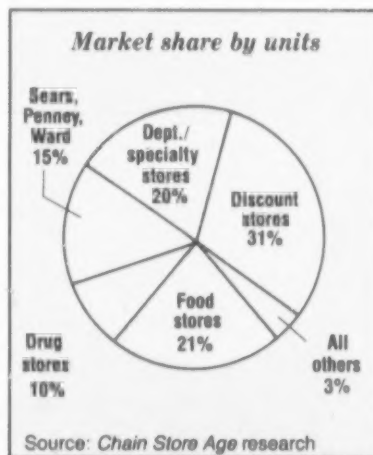
Shipments of women's, men's and children's hosiery also rose says a spokesman for the National Association of Hosiery Manufacturers (NAHM). The industry reached a record high of 308,709 million dozen pairs shipped; up 6.9% over the 1982 figure of 288,709 million.

As in previous years, women's hosiery outperformed men's and children's. Women's wear buyers note higher than usual sales increases, ranging from 15% to 20%. In addition, NAHM reports total women's shipments for 1983 were up 9%, at 203,788 thousand dozen pairs, compared with men's and children's which experienced 6% to 7% growth.

Not surprisingly, pantyhose accounted for more than half of the total sales and shipments. Moreover, it had an 8.8% increase in shipments over 1982's 108,242 thousand dozen pairs.

Retailers anticipate the category will remain in the fast lane for '84. Its strength is tied tightly to the continuous influx of women into the business world and the renewed interest in pantyhose as a fashion ac-

cessory. This combination has had a snowballing effect on all phases of the industry.



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$219	\$170	\$150
Annual turnover	3.4	4.2	4.3
Gross margin	46.8%	43%	36.6%
Source: Chain Store Age research			
Growth areas			
• Textured pantyhose • Sheer colors • Active socks			

"First a few stores made a commitment in sheers. Then a few resources made a commitment to color," explains Ron Baltruzak, Foley's accessories dmm.

Soon everyone was in the business with a wide assortment of styles, he continues. But more importantly, Baltruzak notes that the customers who had left the department stores to buy their pantyhose at drug and grocery stores are returning because of the variety of colors, styles and sizes department stores now offer.

At an East Coast department store with a 1983 estimated volume of \$400-plus million, the hosiery exec agrees with Baltruzak. He adds, "We've seen the most growth in sheers."

This runs contrary to the NAHM figures which show opaques had an 81.1% increase compared with sheers' '83 gain of 8.2%. But one must consider that sheers comprise nearly 56% of the total pantyhose shipment picture while opaques contribute only 3%.

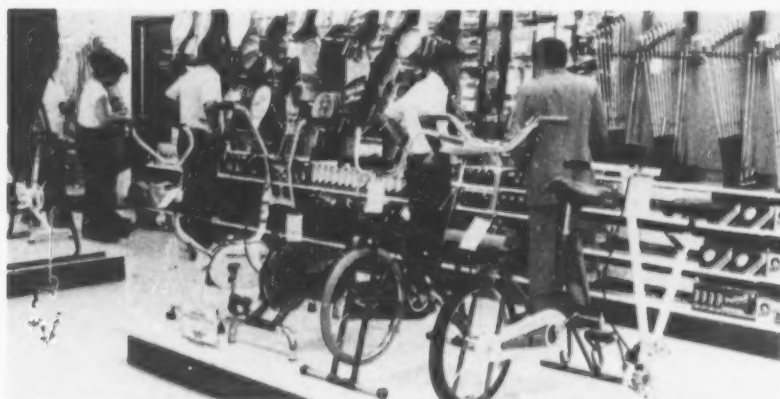
Nonetheless, color is the No. 1 reason for growth in sheers, concur the retailers. Although the East Coast department store exec acknowledges this fact, he notes that at least 95% of his sheers business still comes from sales of basic colors such as black, white, navy, gray and wine.

And retailers say that the color revolution is spilling over into the man-tailored influenced textures, too. Popular colors for summer include bright and pastel shades. Moreover, merchants plan to focus more attention on this classification this fall, anticipating a step-up in consumer interest as the weather cools off.

Another important classification this year appears to be women's active socks which includes footsocks, anklets and crew. Similar to the pantyhose craze, women are paying more attention to the legwear under pants. It is not unusual for customers to match each pair of socks to a specific outfit, say industry sources. Colors, too, follow pantyhose's lead. □

SPORTING GOODS

Sales: \$13.5 billion



Emphasis on fitness creates upswing in exercise equipment.

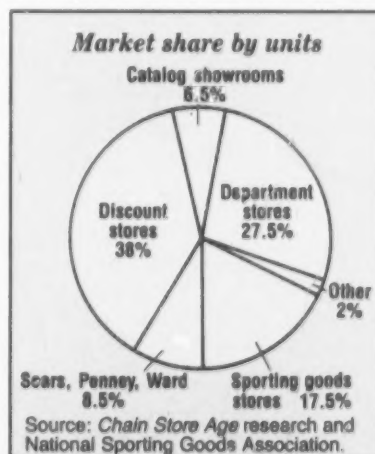
Exercise gear sales stay fit

Although the sporting goods market performed well enough in 1983 to satisfy most retailers, the category's growth remains consistent rather than spectacular. Total sales for the year advanced about 4.1% to \$13.5 billion, a modest gain but one which is considerably better than 1982's increase of just 1.6%.

Exercise equipment and athletic apparel continued as the only truly explosive segments of the category. Tennis and golf showed modest gains, as did staples like fishing and camping. Among the big losers were racquetball equipment and, unexpectedly, soccer.

Exercise equipment sales jumped to \$950 million, making it the sixth largest segment of the sporting goods category. At the heart of this boom lies the consumer's willingness to trade up to more elaborate equipment, from simple barbells and weights to home exercise centers. Despite high price points on this merchandise, many retailers, including Ames, Hecks, K mart and Bi-Mart, reported broadening and deepening their mix. In its larger stores, Sears is now featuring five different versions of its exercise bikes, with price points ranging from \$99 to about \$220. The chain also has met with considerable success with the DP Gympac 2000, a fitness center which retails for about \$290.

The upscaling trend which is rolling through so many segments of retailing meant more dollars, if not more units, for staple categories last year. Tennis racquets unit sales declined but dollar volume ad-



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$73	\$95	\$112
Annual turnover	2.0	3.1	2.2
Gross margin	35%	32%	26.3%
Source: Chain Store Age research			
Growth areas			
• Exercise equipment • Apparel • Tennis • Ski			

vanced a healthy 18%, according to NPD Research. Although sales of high-end racquets remain predominantly in tennis specialty stores, general merchandise retailers report getting a bigger piece of the upper end last year.

"We've broken the \$100 price point on our racquets," says Mitchell Forrester, director of merchandising for sporting goods at Best Products.

Sales of athletic apparel slowed a bit last year but still grew faster than most other segments of the sporting goods market. Total volume, discounting sales of footwear, grew about 15%, but some segments, like bodywear, increased even more. The success of clothing continues to transform sporting goods primarily from a hard goods area to one in which soft goods account for a sizeable portion of sales.

"There's no question that athletic apparel is now influenced by fashion a great deal," says Marvin Aronowitz, president of Oshman's, a chain of nearly 200 sporting goods stores.

There were few major disappointments in sporting goods last year. Racquetball equipment sales declined again, this time by 7%, but most buyers were prepared for that drop. Sales of soccer balls also dipped, according to NPD Research, leading to speculation that the sport is peaking in the United States. Baseball/softball sales remained soft, totaling some \$161 million for the year.

Based upon last year's performance and the interest generated by the Olympics this year, manufacturers and retailers are optimistic about sales for 1984. SGMA predicts sales will rise about 13% at the manufacturers' level. Much of that gain will come from still another increase in sales of exercise equipment. A study by NPD Research, recently found that 37% of all adults surveyed plan to use some form of exercise equipment over the next year. Ski equipment will also show considerable growth, according to NPD Research, especially if the country has another winter of record snowfall. □

CONSUMER ELECTRONICS

Sales: \$28 billion



Last year's fastest growing category was the telephone.

Electronics hit record mark

By now consumer electronics retailers must feel like doormen standing at a revolving door. There's more and more traffic going through the door, but it's increasingly difficult to track who's coming, who's going and who's simply going around in circles.

Overall, electronics retailers report sales grew 14.2% to a record \$28 billion last year. Industry analysts predict another record in 1984 with sales topping the \$30 billion mark. While the department has convincingly pulled itself from the doldrums of the 1981-82 recession, it remains packed with both risk and opportunity.

Once again the sweetheart of consumer electronics and 1983's fastest growing category was the telephone. Over 19 million phones were sold last year, and nearly 30 million are projected to sell in 1984. The boom in telephones has also pushed the growth of answering machines, with last year's volume jumping 150% to nearly two million units.

The consumer's love affair with the video cassette recorder also continued unabated. With price drops for low-end models now dipping under \$300, unit volume has doubled. Over four million VCRs sold last year, and predictions for 1984 show sales should easily top five million.

Following right in step, dollar vol-

ume of blank video tapes increased 73.2% last year despite sharp price reductions, and will keep pace with brisk VCR sales this year.



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$308.50	\$284.40	\$255.48
Annual turnover	2.9	3.0	2.8
Gross margin	24%	24%	18%
Source: Chain Store Age research			
Growth areas			
• Compact disc players • Telephones • Telephone answering machines			

"Video tape sales are still very profitable," says Atlanta-based Richway electronics buyer Marc Valen. "The cost of the tapes has come down, but we're holding the margins, at least percentage-wise."

The flirtation with video did not extend to video disc players. Though retailers moved over a quarter million players and nearly five million discs last year, it was not enough for the major player manufacturer. RCA pulled the plug on production this spring, leaving the industry in disarray.

"Video disc players were never hot sellers for us," says Jim Brinkman, video buyer for Minneapolis-based Dayton Hudson Department Stores. "We've concentrated on VCRs."

Video game machines, the darling of consumer electronics only a year before, saw volume drop 20% in 1983 and an additional 40% decrease is predicted this year. While sales of video game cartridges jumped to a record 75 million units in 1983, this year marks the first time unit sales will drop, falling 1%.

The popular new kid on the block for 1984 just may be the compact audio disc player. Introduced last year at prices over \$600, CD players posted first year sales of 35,000 units, with 200,000 unit sales projected for 1984. Price reductions have already dropped some models to under \$400, and industry sources predict an additional price decrease in time for the Christmas selling season.

"Once the price drops to under \$300, then you'll see sales really take off," says a buyer for a West Coast electronics specialty chain with sales in excess of \$170 million.

Meanwhile, the old standbys of consumer electronics continued to perform reliably. Dollar volume for color televisions increased 17.6% last year. Audio compact and component systems, long the mainstay of the department, jumped back from a two year decline with a 16.3% unit sales gain. Portable audio tape players, now firmly entrenched as a department staple, saw unit sales increase 17.4%. □

TOYS

Sales: \$10.4 billion



Boy's action toys were a huge hit in total sales for '83.

Traditional toys stage comeback

If '83 was the year of the rejuvenation of traditional toys, then '84 may be the year of movie licensed tie-ins. At least two dozen movies coming out in the second half of '84 are expected to produce licensed product bonanzas. Many retailers believe these and other licensed merchandise will help the industry achieve another banner year in '84 with 8% to 10% sales growth.

Toy sales surged 15.6% in '83 over the prior year to \$10.4 billion. Traditional toys rebounded strongly while electronic game systems and software slipped 8% in dollar sales (although manufacturer shipments increased 7%).

Hand-held electronic games seem to be a big victim of video overkill. Shipments on these items slipped from 12 million units in '82 to just seven million in '83. "Hand-helds are a dead issue," says George Colgan, toy buyer for K mart. "The lure of electronic games has seen its day and other things are taking their place."

Those other things include action figures, board games, dolls and plush toys. While the standouts of last season hardly need mentioning (the Cabbage Patch and Care Bear phenomena are still going strong), other categories also turned in spectacular performances.

Boy's action toys—especially

Masters of the Universe—were a huge hit. Shipments increased from 50 million units in '82 to 97 million in '83.

This year buyers see robots lead-



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$77	\$88	\$103
Annual turnover	2.5	2.8	3.2
Gross margin	37%	33%	28%
Source: Chain Store Age research			
Growth areas			
• Robots • Movie Licensed tie-ins • Board games			

ing the pack for boys. Hasbro's Transformers, Tonka's GoBots, CBS/Ideal's Robo Force and Tomy's Starriors are among new introductions expected to gobble up dollars that once went to feed video and arcade games.

Not surprisingly, buyers also tout Trivial Pursuit and similar adult-oriented board games. Retailers are especially pleased as these games attract an older customer.

Other board games also performed well in '83. A Wieboldt's spokesman says, "Board games really started to sell in '83 and should continue throughout '84."

But the good news for retailers did not mean great increases for manufacturers. Shipments remained level with '82 as most buyers made cautious purchases, often waiting until late in the season to place large orders. In some cases, this caution just fueled toy shortages reported during the holiday selling season.

Once again, licensing made a big impact on toy sales. "The influence of licensing grew even stronger in '83," says Arnold Greenberg, chairman of the Toy Manufacturers of America and president of Coleco, "and should continue to have great impact in the coming years. We have moved into yet another phase of this merchandising phenomenon as toy companies create their own character licenses and successfully market them to other industries and to the media."

The movie industry, expecting consumers to flock to theaters this summer, is expected to generate big sales for licensed toys.

Among the summer releases are "Star Trek III," "Indiana Jones and the Temple of Doom," "Gremlins" and "The Muppets Take Manhattan." In addition, "Return of the Jedi" will be re-released to coincide with the introduction of Ewok (the teddy bear-type characters in the movie) merchandise.

Although retailers cite the need to get in and out of movie licenses quickly, most say this season's spate of movies with tie-ins should boost summer and fall sales. □

PHOTO/CAMERA

Sales: \$10.4 billion



Autofocus sales doubled during the Christmas season in '84

Autofocus cameras spark photo

The photo/camera market began to show some new life in 1983, but did not rebound as strongly from the recession as other major hard lines categories.

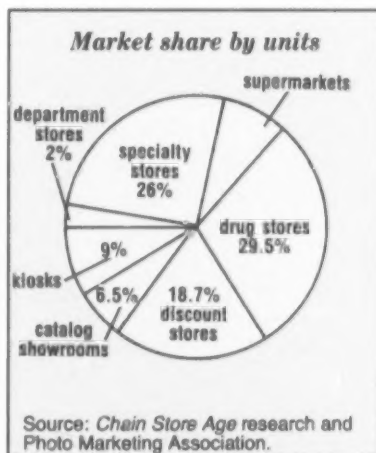
Camera sales increased to their highest point since 1978, but sales were still below record levels posted in the early 1970's. Consumers purchased about 15.4 million cameras last year, compared with 14.25 million in 1982. Film sales, meanwhile, advanced about 5% to 624 million rolls, largely because of the disc camera and increases in sales of 35mm film. Those increases also helped propel photofinishing volume, which improved 10% to \$3.6 billion.

The 35mm autofocus cameras provided the real spark to sales in 1983. The simplicity of these cameras, their low price points and the quality of the photos they take combined to make them much more attractive than high-end pocket cameras. During the Christmas season alone, 35mm autofocus camera sales doubled. For the entire year unit sales rose to 1.3 million. Just four years ago retailers sold only 400,000 autofocus models.

Enthusiasm for autofocus models did not carry over into the upper end of the 35mm market, although some observers think it soon will. Sales of SLR models remained soft as consumers continued to postpone purchases of upper-end models,

those retailing for more than \$160. The SLR cameras may make a comeback if consumers continue to develop a taste for 35mm photography.

"Many customers who are buying



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$241	\$305	\$508
Annual turnover	2.4	3.0	3.54
Gross margin	20.9%	22%	15.1%
Source: Chain Store Age research			
Growth areas			
35mm autofocus cameras - photofinishing 35mm film			

autofocus cameras now may eventually trade up to SLRs," says Dom Dicara, photo buyer for Federated Merchandising, a buying group which represents about 50 catalog showrooms.

The enthusiasm with which the disc camera was greeted two years ago began to wane in 1983. To shore up the disc's position, Kodak has moved to sharpen the quality of its film and has introduced three new models; but some observers think the disc has already peaked.

"Clearly the disc is not going to be what Kodak had hoped it would," says Eugene Glazer, photo industry analyst for Dean Witter. Glazer believes the disc will carve out a respectable but unspectacular niche in the camera market.

The disc's problems resulted in a modest resurgence in sales of other types of pocket cameras, which were thought to be on the verge of extinction only a year ago. With prices on many pocket cameras dropping to about \$20, consumers returned to these models because the disc did not prove an exceptionally better alternative.

The growth in low-end 35mm cameras fueled the photofinishing market, which expanded by about 10% last year after a 12% gain in 1982. Discounters hold about 12% of that market, and their share is projected to grow to 13% in 1985 despite competition from minilabs, drug stores and supermarkets.

"Many consumers like to process their film at the same place they bought their cameras. That should help discount stores because they're doing so well selling the low-end 35mm cameras," says Eleanor Ehrlich, director of marketing for Berkey Photo.

Film sales continued to shift toward the 35mm segment, a trend helped by the successful introduction of 1000 ASA film. In 1975 35mm accounted for just 18% of film sales; last year its share rose to 46%. With many manufacturers adding 1000 ASA settings to their autofocus models, buyers are even more optimistic about the future of 35mm film. □

MEN'S WEAR

Sales: \$21.8 billion



Sports shirts were a strong department contributor last year.

Basics steady, sports active

The American male apparently still doesn't quite share his female counterpart's sense of the new and different. While he's willing to experiment in leisure wear, traditional tailored clothing remains primarily a replacement business. Men's wear sales grew by a steady 6.5% to \$21.8 billion in 1983.

"Women are looking for something that's new; men are looking for a body covering," says Fresno, Calif.-based Gottschalk dmm Ron Gernandt. "The whole men's clothing department is weak."

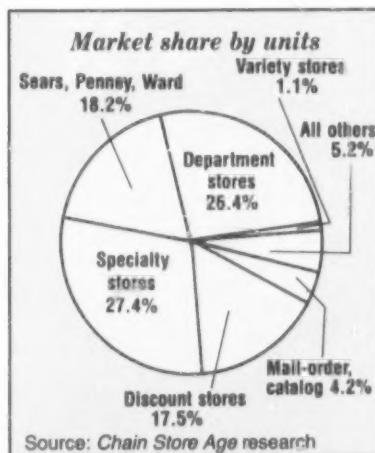
But there were some strong performers. Once again activewear continued the year-round top category in 1983, and this year's sales indicate it will again lead the department. Warm-up suits and basic fleece were strong fall season sellers, with jogging shorts and tank tops, especially mesh tops, leading for spring and summer.

Sports shirts were also strong department contributors. If there was a place where men experimented with a new or different look, it was here. Novelty shirts, asymmetrical patterns and boat collars turned in surprisingly good results.

Even the *Flashdance* look that virtually overtook the young men's department has now moved into the men's department, though in some-

what more subdued styles.

"Dad is shaking out of his dollars," says a California department store dmm. "Young men's is



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$184.70	\$139.79	\$120.00
Annual turnover	2.7	3.1	3.6
Gross margin	43.2%	40%	34.6%
Source: Chain Store Age research			
Growth areas			
• Activewear • Dress furnishings • Knitwear			

very, very, very alive right now, and it's changing what's happening in men's sportswear too."

In tailored clothing, retailers report sales continuing steadily, but with no major growth last year, and none predicted this year. "Anytime you do not have a major new silhouette, it becomes strictly a replacement business," says Gottschalk's Gernandt. "The people who bought a couple of suits last year are not going to buy much this year. However, this makes the furnishing business strong."

Philadelphia-based Strawbridge & Clothier dmm Nick Eggleston confirms that men are turning to furnishings rather than that new suit or sports jacket. Both neckwear and dress shirts, especially shirts with distinctive collar treatments, were strong performers last year.

"Dress collars were the story last year and it's continuing for 1984," agrees Gernandt. In just about every market retailers report contrasting white collars and pin collars are hot sellers.

Like much of the department, there were no new trends or changes in men's slacks and therefore not much new action. Belted slacks remain more popular than nonbelted, and for many retailers Hagar expandable waist bottoms remain strong sellers.

The action in outerwear has moved from bulkier, heavier ski-type looks to more poplins and light materials, but once again, while sales remain steady, it continues to be largely a replacement business.

Despite the lack of any new, dominant trend on the horizon for 1984, retailers expect the department to turn in another solid year. "So far the year has been good," says Strawbridge & Clothier's Eggleston. "Unless there's some unforeseen economic disaster, it ought to carry right through the fall season."

"We're all still selling tonnage of the basics," says the California dmm. "But there's a tremendous potential for growth and more room for experimentation in the novelty categories." □

HOBBY/CRAFTS

Sales: \$3.7 billion



Crafts sell best July-January, as consumers plan for Christmas.

Yarns untangle craft sales

Despite the departure of some mass merchants from retailing hobbies and crafts, 1983 sales rebounded to a record high of \$3.7 billion after faltering in 1982. A renewed interest in crafts and an increase in the number of specialty sewing stores carrying craft items account for the 16.1% gain.

"Retailers who are aggressive get the business," says an exec with a West Coast specialty chain. "You need to make a statement in each category."

Two retailers in particular who appear to be pursuing the business are K mart and Bradlees. For example in one of K mart's Detroit prototypes, it has made a commitment to the category by devoting approximately 625 sq. ft. Narrow gondolas house craft supplies while the rounded endcaps offer how-to books detailing usage of the shelved items.

In Bradlees' Watertown unit, the upscaler displays crafts in a separate shop. President Harry Kohn says, "Normally we would not have a shop arrangement." However, he explains that when Bradlees sectioned off a special area for the Gloria Vanderbilt home furnishings



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./variety
Sales per square foot	\$46	\$55	\$60
Annual turnover	2.7	1.5	2.5
Gross margin	41.7%	39%	33.1%
Source: Chain Store Age research			
Growth areas			
• Specialty yarns • Candlewicking • Adventure gaming • Needle crafts			

collection, some extra space resulted. Although this is not necessarily a part of the latest prototype, if craft sales react to the shop concept, Bradlees might be wise to incorporate it more frequently.

Additionally, successful merchants say that crafts generally sell best July through January (as consumers start planning for the Christmas season), granted that the presentation and commitment is there. Moreover, the West Coast specialty merchant points out, "Customers don't purchase price, they purchase design."

This year, categories to watch for growth include needlecraft, candlewicking and adventure gaming, says Jim Goodness of the Hobby Industry of America association. Specifically he notes, "Yarns and sewing departments at the major chains continue to grow."

For instance, Lamstons' crafts buyer Marlene Roscoe says that specialty yarns such as the 100% cottons and terries do a brisk business. She adds, "Baby yarns are a good everyday business. We're in a baby boom right now and the grandmothers are buying."

Apparently, The Singer Co. sees this phenomenon too. It recently introduced hand-held knitting machines that knit 100 times faster than a person. Perhaps this will compensate the home sewing industry giant for lost sewing sales.

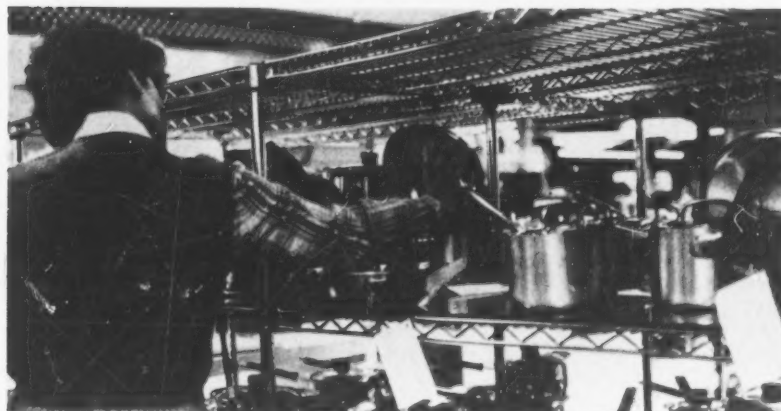
Nonetheless, the hobbies and crafts industry is not for all retailers. Bill's Dollar Stores buyer Marvin Alverson says, "We ran a test in 20 stores and it was a disaster so we're out of that business now."

At another East Coast retailer, with 50-plus stores, an exec concludes, "We're leaving the crafts business for the same reasons we left sewing. A lot of women have gone back to work and don't have the time. The market has shrunk by one-third."

"It's also very expensive to run these departments," he continues. "They need to be staffed with knowledgeable salesmen. We're giving the space to more profitable categories." □

NONELECTRIC HOUSEWARES

Sales: \$29.1 billion



Discounters use department store quality displays.

Cookware ignites sales fire

The old adage—if you can't stand the heat, get out of the kitchen—must have been taken seriously by consumers during '83. By leaving their kitchens and hitting retail stores, consumers boosted nonelectric housewares retail sales by 11.1% over '82 results to \$29.1 billion with cookware and bakeware accounting for about 12% of total sales.

The economic recovery was obviously one important factor influencing housewares growth as was the fresh crop of off-price housewares specialty stores that popped up during the year, squeezing out additional sales to consumers shopping for quality and value.

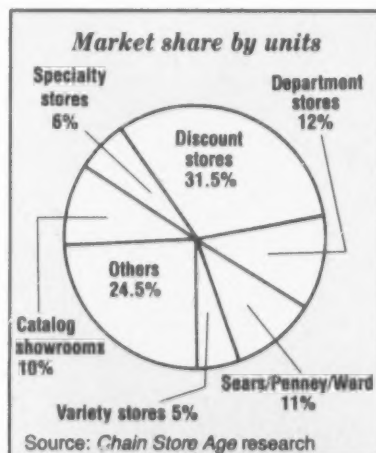
But manufacturers also helped by holding the line on prices in '83. Just 34% reported increasing prices during the year (the average increase was 5.2%), according to the National Housewares Manufacturers Association.

This year, however, 61% feel they will need to raise prices in anticipation of higher labor costs, citing an average increase of 5.8%. Retailers admit they will have to be sharper buyers and merchandisers to keep the price increases from turning into sales decreases.

One answer seems to be upscaling both the mix and the presentation, with an emphasis on coordinated merchandise, while at the same time sticking with traditional

best sellers. During '83, growth came from microwave cookware, glasses and dinnerware as well as gadgets.

Discounters cite boxed sets of



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$125	\$110	\$100
Annual turnover	2.0	2.2	2.8
Gross margin	42%	34%	32%
Source: Chain Store Age research			
Growth areas			
• Tabletop • Thermal servers • Gadgets • Microwave cookware			

dinnerware and glasses as strong sellers. "Our glass assortment was too broad last year," says G. C. Murphy buyer George Gose. "We will go only with the best sets in '84 as they also offer the consumer the best value, but we'll be totally in stock—365 days a year."

Murphy's will also offer shoppers color coordinated goods to tie together an entire housewares (and kitchen domestics) fashion statement.

In fact, discounters from K mart to Rose's are putting together department store quality displays on gondolas showing complete tabletop settings. The bulk merchandise is stacked underneath the display for shopper convenience.

Microwave cookware was a key performer for many retailers last year and is still going strong. "We had a bigger percentage increase in microwave cookware than in any other nonelectric category," says the dmm for a 35-store south-eastern discounter.

Gross merchandising is one key for increasing sales. Ames, the Rocky Hill, Conn.-based discounter, for example, is merchandising microwave accessories with regular cookware and with the ovens in its newer prototypes.

When looking for one key word to sum up the category, however, retailers repeatedly mention SilverStone. Department and discount store buyers say SilverStone cookware sold well in all sizes and price points with open stock pieces and boxed sets moving equally well.

"We're sticking with SilverStone," says Leslie Camm, buyer for San Diego-based Walker Scott. "It sells day-in and day-out. But we're moving into higher price points as our customers start to increasingly demand quality—even if it costs a little more—as well as a fair price."

One relative newcomer—thermal carafes—were "late bloomers that did very well," says a Montgomery Ward spokesman who adds the items should continue to perform well in '84, especially for holiday gifts. □

ELECTRIC HOUSEWARES

Sales: \$15.7 billion



Electronic irons will spark new interest in the category.

Category stagnant despite sales

Despite grumblings from retailers about the lack of innovation in small electric housewares, sales for the category climbed 12.1% in '83 to \$15.7 billion.

In general, the housewares industry outperformed the general economy. Between '82 and '83, for example, the G.N.P. rose 8% and the Personal Income Index increased 9% while housewares industrywide sales climbed 11.4%, marking a return to the double digit increases experienced in the late 70's.

Small electrics sparked 35% of the total housewares sales—the same percentage as in '82. Retailers note there were no "must have" new items to draw consumer interest and poor delivery on some under-the-counter items may have retarded additional sales growth.

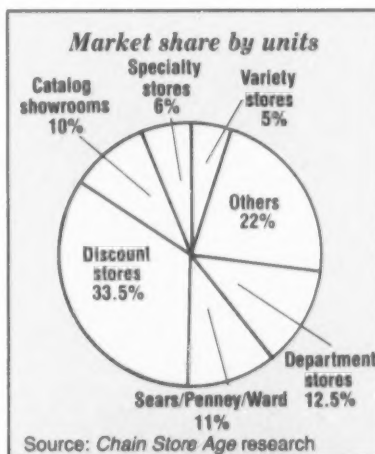
While 56% of consumers claimed that they plan to replace small electric appliances at least every five years, according to a recent survey by the National Housewares Manufacturers Association, this replacement cycle isn't enough to keep the category fresh and growing.

New products are needed, but for '84 several top performers from last year are expected to lead sales once again.

In '83, retailers note a great deal of success with toaster and microwave ovens, ceiling fans and, when in-stock, under-the-counter appliances.

New under-counter introductions

from Sunbeam, Norelco, Toaster-master and Robeson are expected to do well this year, especially at the discounters. G.E., the first to introduce the category with its Space Saver line, was often unable to keep up with demand last year, but pro-



Productivity breakdown			
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$128	\$119	\$115
Annual turnover	2.5	2.8	3.4
Gross margin	22.5%	20.5%	18%
Source: Chain Store Age research			
Growth areas			
• Irons • Personal care appliances • Clocks • Microwave and toaster ovens			

duction has been beefed up to overcome the problem.

"While under-counter appliances didn't knock down any doors for us last year," says G. C. Murphy buyer Bill Riddle, "the growth for this year could come from this area if availability improves."

The new electronic irons from G.E. and Sunbeam and the cordless model from West Bend should spark some interest in this relatively stable category. "We look forward to plus business there," says Leslie Camm, buyer for San Diego-based Walker Scott stores. "And there's no reason to lower the prices yet as they are selling well at full price (\$60)."

For Camm and other retailers hand-held vacuums sucked up extra sales in '83 and look good again for this year. "The Hoover Help Mate at \$35 was the best single item we had last year," Camm adds.

Microwave ovens continued to sell well, due in part to growing consumer acceptance. In '79, for example, just 13% of consumers polled said they owned a microwave oven, while in the recent NHMA survey, 38% reported owning one.

The dmm for a discounter with sales volume of \$400 million notes the chain picked up exceptional new business in the category. "This year we should do twice as much business in microwave ovens, taking sales well into the six figure range. We'll be selling ovens priced from \$180 to \$299.

"In total, our small electrics business improved 60% last year due to aggressive promotions and improved advertising that featured more color photography."

Ceiling fans should stir up another good year for retailers who say the business is strong year round. "They've really taken off already this year," says Henry Beck, dmm for D. H. Holmes in New Orleans.

Two categories to watch for in '84 are clocks—especially the quartz models, as retailers say this is an under-developed area—and personal care appliances, especially the new, smaller-sized travel models. □

LAWN & GARDEN

Sales: \$28.6 billion



Another good year for patio furniture and picnic tables.

Barbecues cook up hot sales

Leisure living significantly contributed to still another strong year for the lawn and garden classification. Sales were up an estimated 21.3% to \$28.6 billion in 1983. Barbecue grills, patio furniture and ultraviolet bug killers, all sales leaders in 1982, were all active performers once again in 1983.

Barbecue shipments by manufacturers to dealers in 1983 reached a record 13 million units, according to the Barbecue Industry Association. Though charcoal grills still topped the list with 10.6 million units shipped last year, gas grills posted a 14.7% gain to 2.3 million units. Electric grill shipments remained steady at 91,237 units.

Not surprisingly, the outdoor barbecue business is family centered. Owners of grills are predominately younger and have higher incomes than the general population, according to the National Housewares Manufacturers Association. Charcoal grills are more common among lower income families and singles, with gas grills capturing a larger share of families and the more affluent.

While men remain the primary outdoor chefs, women are increasingly participating in the buying decision. "Women are about 50/50 on the decision-making right now," says North Muskegon, Mich.-based Quality Stores buyer Bruce Darrow. Many retailers report

brown gas grills taking a significant bite out of the market as more and more color-conscious women turn away from traditional black units.

Adding to the sales surge for lawn and garden was still another good

year for patio furniture and picnic tables. "Sales in the patio category were absolutely unbelievable," says a merchandise manager for a mid-Atlantic discounter with sales in excess of \$200 million. "We're at the price points now where a merchandise manager can really do well at the \$300-\$400 range. If you have the room to display it, go for it."

Another familiar strong performer was the electronic bug killer. "People just like to kill bugs," says Quality's Darrow. "The things really sell themselves. The price has come down significantly, and when people hear bugs getting zapped in their neighbor's backyard, they decided to go out and buy one for themselves."

"We've been doing quite well with them for the last couple of years. For the last three or four years, they've been tremendous profit and gross margin performers," Darrow adds.

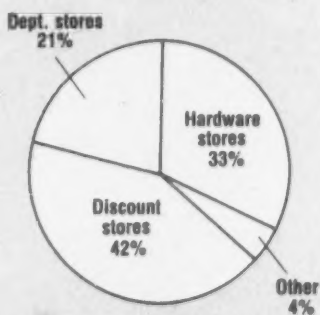
More traditional lawn and garden categories saw sales level off or vary widely, due to differing climatic conditions. Chemicals and fertilizers, popular with retailers as some of the few consumables within the department, showed steady sales.

Lawn mowers were a different story. Some regions saw surprising sales increases despite higher prices due to Federal safety standards imposed two years ago. Other regions reported sales stagnant.

The determining factor, according to most retailers, was the weather. While a wet spring may make the grass grow higher, few consumers seem willing to spend a soggy Saturday mowing a wet lawn.

The real story in lawn and garden may not be what is sold, but where. According to National Housewares Manufacturers Association research, discount stores were the preferred choice for 42% of lawn and garden consumers in 1983, a drop from 48% in 1974. Department stores were the big winners, upping their share from 16% 10 years ago to 21% last year. Over the same 10 year period, hardware stores gained from 31% to 33%.

Market share by units



Source: Chain Store Age research

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	\$125	\$140	\$130
Annual turnover	2.3	6.4	3.5
Gross margin	28.5%	29.2%	23.2%

Source: Chain Store Age research

Growth areas

- Patio furniture
- Gas barbecue grills
- Electronic bug killers

FINANCIAL NEWS

First quarter earnings pace continues growth

Chain	'83 (000 omitted)	'84 (000 omitted)	% change
Penney	\$ 58,000	\$ 69,000	+ 19.0
Sears ^{1,2}	(12,700)	25,900	—
Ward	(19,000)	(4,000)	—
Subtotal	26,300	90,900	+ 245.6
K mart	44,600	58,000	+ 30.0
G. C. Murphy	1,701	2,233	+ 31.3
Rose's	3,011	3,693	+ 22.7
SCOA (Hills)	(397)	1,126	—
Wal-Mart	27,503	43,643	+ 58.7
Woolworth ¹	1,000	4,000	+ 300.0
Zayre	6,668	10,601	+ 59.0
Subtotal	84,086	123,296	+ 46.6
Allied	13,089	14,732	+ 12.6
Associated Dry Goods	3,409	5,974	+ 48.8
Carter Hawley Hale	6,205	8,539	+ 37.6
Dayton Hudson	22,681	28,400	+ 25.2
Federated	42,986	35,810	- 16.7
May Co.	20,300	27,500	+ 35.5
Mercantile	11,982	14,309	+ 19.4
Subtotal	120,652	134,364	+ 11.4
Cole National	(610)	269	—
Gshman's	(65)	59	—
Toys "R" Us	5,357	9,637	+ 80.0
Subtotal	4,682	9,965	+ 112.6
The Gap	1,695	677	- 60.1
The Limited	9,905	13,605	+ 37.4
Miller Wohl	3,685	3,589	- 3.1
Subtotal	15,285	17,851	+ 16.8
Total	251,005	376,376	+ 49.9

¹Consolidated operations only

²U.S. Merchandising only

³Continuing operations only

() Indicates loss

Source: Chain Store Age research

Earnings are up but caution rules future

A mixture of cheers and jeers greeted first-quarter earnings posted by 23 retail chains. Though earnings were up 49.9%, comparisons of percentage gains with results garnered in '83 are difficult since last year was such a superb one for most retailers. Despite sluggish sales and inclement weather in March and April, the quarter did produce a number of outstanding performances.

While Cole National reported significantly lowered losses from its Child World division, it did return a profit in the first quarter (the first time since acquiring the toy chain), as other business segments offset the losses.

Both Carter Hawley Hale and The Limited had healthy increases despite clashing over The Limited's tender offer.

Woolworth reported strong sales

from Woolworth, Kinney and Richman Brothers. Part of the gain was contributed by 102 renovated Woolworth units which accounted for about 15% of the division's sales.

Wal-Mart, continuing its efforts to lower everyday prices, scored the chain's seventh consecutive quarterly earnings increase of 40% or more.

At K mart, apparel sales were nearly double the corporate average, aided by new displays and a layout which focuses more attention on apparel.

Federated, however, reported a decline from last year's level due to competitive pricing in its supermarket division, start-up costs associated with the Main Street project and a change in its retirement program.

K mart matches donations

K mart has decided to give its

employees a greater say in the way it donates money to nonprofit organizations. The company has begun matching donations its employees make to educational and cultural institutions.

The K mart program is based on a model provided by CASE (Council for the Advancement and Support of Education). K mart's board of directors decided to extend its program to cultural institutions in addition to colleges and universities.

Under the program, K mart is matching the gifts its full-time employees make of between \$25 and \$1,000 to accredited two- and four-year colleges, museums, public radio and television stations, orchestras, opera, theater and dance groups, libraries, zoos and historical organizations.

"It's already been well-received. We think it's going to be a strong program," says Al Weed, director of management recruitment and training.

New chain guide directory available

The leading publisher of retail market information—Chain Store Guide—has just released the brand-new edition of the 1984 *Directory of General Merchandise, Variety Chains & Specialty Stores*.

This year, several important additions have been made to the directory, including listings on airport gift chains and odd-lot/closeout stores. Major revisions and expansions to the directory bring total GM listings to 750 companies operating 19,176 stores. In addition, the specialty stores sections have been newly revised to include 301 toy/hobby & craft retailers operating 1,854 stores; 769 gift/novelty retailers operating 2,186 stores, and 434 toy and hobby wholesalers, for a combined figure of 360 brand-new listings.

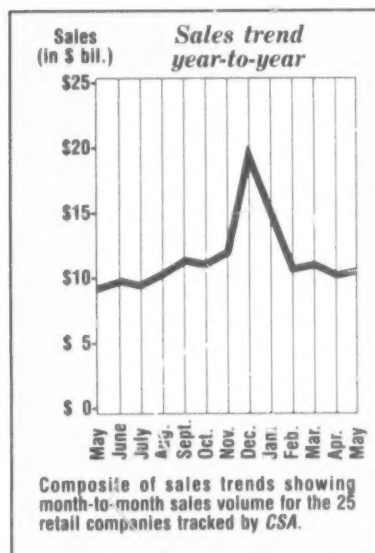
The 1984 *Directory of General Merchandise, Variety Chains & Specialty Stores* is available at \$145 from Lee Appel, Chain Store Guide, 425 Park Ave., New York, N.Y. 10022, telephone 212-371-9400.

FINANCIAL NEWS

Dept. store sales lead the pack

Cold, wet and miserable weather over much of the nation in May failed to halt the continuing double-digit sales pace set by the 25 chains tracked by *Chain Store Age*. Sales for the month increased 12.2%, while year-to-date totals now average a nearly identical 12.3%.

Retailing giant Sears set a record for the first 17 weeks of the fiscal year, showing volume of \$7.74 billion, a 6.6% hike over the previous year. Domestic operations gains 7.2%, but were offset by the 2.6% increase posted by Sears Canada.



J. C. Penney continued to lead the Big 3 catalog chains with a 19.8% May sales jump and a 19.6% comparable store gain. Montgomery Ward reported monthly sales up 9.5%, and same store results 11.4% over last year.

Once again the department stores performed well above the average, led by Associated Dry Goods' 27.6% monthly increase. Beleaguered Carter Hawley Hale, stripped of Waldenbooks results, posted May sales up 16.9%. R. H. Macy reported May store-for-store gains of 11.2%, followed by Mercantile at 9.6%, Dayton Hudson's 9% and May Company's 7%.

K mart, led by strong apparel

Floods, rain fail to dampen sales surge

Major chains	% change	May sales*		Stores		4-mo. sales		% change
		1984	1983	1984	1983	1984	1983	
Sears ¹	+ 6.1	1,999,006	1,884,777	885	895	7,741,515	7,260,012	+ 6.6
Penney	+ 19.8	891,000	744,000	2,015	2,039	3,371,000	2,862,000	+ 17.8
Ward ¹	+ 9.5	493,730	450,939	367	377	1,855,263	1,648,179	+ 12.6
Federated ¹	+ 12.2	566,300	504,803	N/A	N/A	2,239,000	2,001,300	+ 11.9
Dayton Hudson	+ 15.6	560,190	484,578	1,101	1,031	2,133,842	1,816,682	+ 17.5
May Dept. Stores		345,900	305,700	1,635	1,497	1,309,300	1,148,300	+ 14.0
R. H. Macy	+	304,500	266,700	93	92	1,213,400	1,047,200	+ 15.9
Allied Stores	+ 10.1	306,300	278,300	581	547	1,147,900	1,039,800	+ 10.4
Carter Hawley Hale	+ 16.9	256,800	219,700	252	232	1,032,600	857,500	+ 20.4
Associated Dry Goods	+ 27.6	315,400	247,200	325	249	1,128,000	907,000	+ 24.4
Mercantile	+ 6.9	134,802	126,131	78	85	481,627	443,732	+ 8.5
K mart	+ 9.7	1,609,242	1,466,398	2,157	2,130	5,786,814	5,401,017	+ 7.1
Woolworth	+ 4.5	425,122	407,401	N/A	N/A	1,634,865	1,536,460	+ 6.4
Wal-Mart	+ 38.7	502,000	362,000	674	581	1,737,000	1,217,000	+ 42.7
Household Merch. ^{2,3}	+ 4.7	415,166	396,359	3,753	3,899	1,694,758	1,658,529	+ 2.2
T.G. & Y.	- 2.2	160,806	164,482	776	869	625,049	610,928	+ 2.3
Zayre ⁴	+ 27.9	239,731	187,469	785	677	862,368	706,288	+ 22.1
Bradlees	+ 25.1	100,800	80,600	128	112	362,400	274,200	+ 32.2
Murphy	+ 5.5	68,711	65,113	399	417	266,758	253,708	+ 5.1
Rose's	+ 12.4	90,929	80,933	191	244	278,978	237,889	+ 17.3
Heck's	+ 4.7	33,600	32,100	122	120	131,900	125,100	+ 5.4
Jamesway	+ 17.2	35,671	30,433	78	75	121,732	106,158	+ 14.7
McIlvaine	+ 13.8	318,307	279,634	5,757	5,604	1,275,404	1,085,783	+ 17.4
Tandy	+ 5.6	200,797	189,685	N/A	N/A	832,207	775,533	+ 7.3
Edison Bros.	+ 3.0	103,700	100,700	N/A	N/A	344,277	316,581	+ 8.8
The Gap	+ 14.1	31,600	27,700	576	555	129,600	115,400	+ 12.3
Totals & Averages	+ 12.2	10,349,304	9,219,350	—	—	39,112,478	34,841,351	+ 12.3

*000 omitted. N/A - not available

¹Store number for full-line outlets only. ²Includes 2,769 franchise stores (vs. 2,819 a year ago). ³Includes T.G. & Y. sales. ⁴Includes 276 Zayre stores (vs. 265 a year ago). ⁵377 Hit or Miss stores (vs. 306) and 135 T. J. Maxx stores (vs. 106). ⁶Excludes supermarket sales. ⁷Includes results from Sears Canada

sales and brisk activity in outdoor merchandise, showed a 9.7% increase over the previous May. Comparable store results for the month rose 8.1% over last year, while year-to-date same-store volume now stands 5.5% over 1983.

Among the discounters, Bentonville, Ark.-based Wal-Mart continues its sales surge. Results for May were up 38.7%, and sales for the 17-week fiscal year show a 42.7% gain. Comparable store sales for the 19 state discounter are up 18% over last year.

Flat computer sales may be one reason for Tandy's lackluster performance among the specialty chains, though the Radio Shack operator denies it. Tandy chairman John V. Roach admits the computer market in general may be flat, but asserts the Color Computer 2 is selling at three times last year's rate.

Household Merch. narrows losses

The turnaround process at Household Merchandising's T.G. & Y. and wholesale divisions appears to be taking shape.

For the first quarter of the year Household Merchandising's general merchandise and wholesaling operations reported bottom line improvements. T.G. & Y. and the furniture group reduced losses to \$2.3 million from \$4.1 million a year ago on a sales gain of 2.8%.

The Ben Franklin and Coast to Coast franchises increased earnings to \$700,000 from \$200,000 on a 9% sales gain.

Overall, however, Household's net income from retailing dropped from \$1.5 million to \$1.2 million because of a \$2.6 million reduction in earnings from Von's supermarkets.

4th Annual Consumer Buying Intentions Study

Chain Store Age

GENERAL MERCHANDISE EDITION

August

1984

Measuring
the consumer's
changing attitudes



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Upbeat consumers eagerly pursue purchases



Pent up consumer demand has stimulated sales and left the consumer more anxious to follow through on purchase intentions than at any other time in the last four years.

What a difference a year makes!

A scant 12 months ago Americans were concerned about their jobs, their future and their country.

Today, with unemployment at its lowest level in four years, the number of working Americans rising by the hundreds of thousands each month, and Ronald Reagan's rating as president higher than it has been for the last 32 months, consumers are once again flexing their mus-

cles.

The portrait that emerges from *Chain Store Age's* Fourth Annual Consumer Buying Intentions Study is one colored by optimism.

Consumers are more eager to follow through on their purchase intentions, less willing to defer plans even if they might have to cut back on spending. The buying public has not abandoned its keen eye toward price—indeed, price may be more important than a year ago—but

shoppers also are remaining equally discerning about quality and that elusive trait, value.

They are assessing the repositioning and remerchandising efforts of the leading general merchandise retailers while expressing reservations about some of the hot concepts of the last few years, specifically off-price merchants.

These general trends and specific attitudes toward some 50 products are revealed in two studies commis-

THE MARKET

sioned by *Chain Store Age*. Working with Leo J. Shapiro & Associates, CSA polled more than 8,500 households on their specific buying intentions and attitudes. In addition, CSA collaborated with *Better Homes & Gardens* magazine to survey 422 families as to their general shopping patterns compared to a year ago.

The CSA/Shapiro study provided national projectable results drawn from telephone interviews. The CSA/BH&G research reflects BH&G's circulation base, a readership that is slightly more upscale than the national average. Its readers typically are the customers most general merchandise retailers say they target. Data from the 422 completed mailed questionnaires are projectable to that population.

Both studies found consumers better off economically than a year ago. To the question, "Compared to a year ago, my family's financial status is . . .," 54.8% in the CSA/BH&G survey answered better. Just 9.7% said worse.

Higher income households reported even stronger feelings. Of

those earning more than \$25,000 a year, 63.7% said better. Of those earning more than \$50,000, 66.2% said better.

The CSA/Shapiro survey, in response to a similar question, found 39% better off and 23% in worse shape.

Follow through: Perhaps one of the better clues to examining the

As the economy has improved consumers are expressing less loyalty to off-price and discount stores.

consumer mindset of today is the shoppers' attitude toward deferrable purchases.

Fully two-thirds of the 31 products studied at least two years by CSA/Shapiro recorded stronger willpower by consumers to follow through on their purchase intentions. For example, this year 27% of those looking for a microwave oven said they would not delay buying it.

Similarly, the percentage for bicycles reached 44% from 27%, for

home computers 24% vs. 16% and for patio furniture 31% vs. 20%.

What the year to year patterns suggest is that 1984 and into the first part of 1985 is a time when pent up consumer demand will be vented. This is the time when if a consumer says he is going to buy something he most probably will because he is economically better off than before and because his belief in the future is brighter.

Lower loyalty: To capitalize on the spending surge retailers may do well to enact different strategies reflecting the consumer's perception of store loyalty and brand loyalty for specific products.

Overall, comparisons to previous years reveal that consumers are again demonstrating their independence by showing lower preferences for both store and brand choices. Of the 31 identical products studied, 18 had higher no store preference ratings and 22 had higher no brand preference scores.

To illustrate, about 50% more survey respondents than a year ago did not cite a preferred store where they would buy a personal portable

Better economy cuts into off-price appeal

The wildflower rose of the early 1980's—off-price apparel stores—may have begun to shed its petals.

The upscale customer in search of quality apparel, who in years past equated quality with brands, has retreated from the thrill of the hunt in off-price outlets and has taken to shopping again in more conventional stores, according to a *Chain Store Age/Better Homes & Gardens* survey.

Asked to compare their current shopping patterns to those of a year ago, 31% of the respondents said they were shopping less often in off-price apparel stores. Just 16.1% said more. For those families earning more than \$50,000 a year, the erosion was greater: 35.1% less while just 10.4% more often.

The numbers, however, are not all signaling doom and gloom for

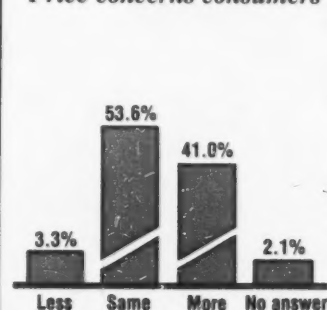
off-price. Customers ages 18-49, though not increasing their patronage, are not abandoning off-price as rapidly as the population at large. Just 22.7% of those 18-49 are shopping off-price less often, while 58% say they are shopping as often, compared to 50% of the total sample.

The lure of off-price, and for

that matter, all discount stores, has waned among the rich. Just 18.2% of that group said they shopped discounters more often. A full 10% more of the general public said they shopped low margin stores in greater frequency.

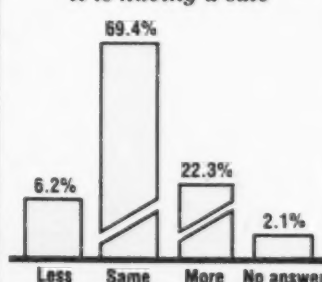
A similar 18.2% of those making \$50,000+, vs. 12.8% of the

Price concerns consumers



Source: Chain Store Age/Better Homes & Gardens

Pick a store mainly because it is having a sale



Source: Chain Store Age/Better Homes & Gardens

THE MARKET

Upgrade strategies pay off at Sears, Penney, Ward

	K mart			Other discounters			Sears			Ward			Penney			Dept. store			Catalog showroom			Specialty store			Off-price			Mail order		
	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84	'82	'83	'84
Total store	6.2	8.2	7.0	15.5	12.7	12.8	10.5	8.8	10.7	2.5	4.3	5.6	3.9	3.7	4.4	17.9	12.3	8.8	4.5	5.0	6.0	28.7	29.2	18.4	1.2	1.4	0.6	1.3	3.7	3.3
Hard Goods	6.0	8.2	6.5	16.6	13.5	12.6	10.1	8.3	10.9	2.7	4.7	6.1	3.1	2.8	3.8	15.7	9.6	7.5	5.2	5.7	6.7	29.6	30.1	18.6	0.8	1.1	0.6	1.5	4.1	3.7
Apparel	7.6	8.5	11.3	7.6	7.2	14.2	12.7	12.4	9.6	1.5	2.1	1.7	9.6	9.2	9.8	33.3	30.9	19.6	0.2	—	—	21.1	23.2	16.0	3.9	3.4	2.0	0.4	0.4	0.5

Source: Chain Store Age/Leo Shapiro and Associates
Base: All who named a store

stereo with headphones. An additional 25% would not specify a particular brand.

The response to this greater indifference by consumers should not be uniform. Why? Because, says the CSA/Shapiro data, products can be segmented into four groupings based on store and brand preferences.

High brand/high store: The first grouping consists of products with high brand and high store preferences. This group includes electric mixers, video game machines, portable stereos, 35mm cameras, instant cameras, sewing patterns, sewing machines, facial moisturiz-

ers and children's car seats.

For these products there generally are widely recognized brand names and brand leaders. Stores should attempt to develop "killer" departments by combining a uniqueness of offering to match the power of the brand, much the same way some department stores set up Polo Shops to sell the designs of Ralph Lauren.

The distinguishing characteristic can be anything from unparalleled assortment of sewing patterns to low price for instant cameras.

Because of the reliance on national brands and the competitive forces requiring either low price,

heavy service or deep inventory, retailers may expect to reap thin margins from such merchandise.

High brand/low store: The second grouping possesses high brand/low store preference ratings. Products include microwave ovens, vacuum cleaners, home computers, computer software, video tape recorders, personal stereos, blank VCR tapes, bicycles, tennis racquets, typewriters, watches and electric razors.

To this group stores should devote little promotional effort because the product will sell itself. Retailers should exploit the presold nature of the products. One key is to

total sample, said they shopped discounters less often.

It should not be inferred from this that customers are less price conscious than a year ago. Apparently they learned their lessons well from the recession.

Four out of 10 in the CSA/BH&G poll said price concerns them more than a year ago. Just

3.3% said it concerned them less.

To stretch their dollars, 22.3% said they more often picked a store mainly because it was having a sale. Only 6.2% said they were less influenced by sales.

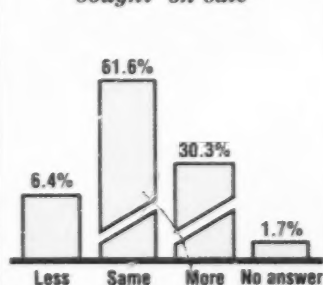
The amount of merchandise bought on sale increased for 30.3% of the sample. It decreased for 6.4%.

The rich are more insulated from these pricing considerations. Only 1 in 4 is more concerned with price this year, though only 14.3% pick a store because of a sale. Thus, it should not be surprising that among the rich 10% fewer respondents (20.8%) said they bought more goods on sale.

What may be surprising is that the rich alone no longer possess the understanding that it pays to shop for quality. Indeed, the general public expressed a higher willingness to pay more for better quality products than did the rich (29.6% vs. 26%).

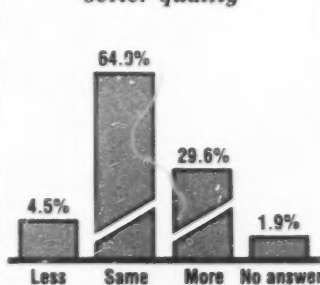
The thrust toward quality appears to be long term. Of those 18-34 year olds, 38.6% said they are more willing to pay more, a good sign for retailers as these customers mature into higher income and/or household formation years.

Amount of merchandise bought on sale



Source: Chain Store Age/Better Homes & Gardens

Willingness to pay more for better quality



Source: Chain Store Age/Better Homes & Gardens

THE MARKET

Loyalty wanes for stores/brands

No Store Preference*				Product	No Brand Preference*			
% '81	% '82	% '83	% '84		% '81	% '82	% '83	% '84
NS	NS	17.8	26.4	Computer software or programs	NS	NS	27.7	31.9
NS	NS	NS	28.9	Educational/do-it-yourself software	NS	NS	NS	25.0
57.7	37.0	32.3	19.9	Video tape recorder	54.4	39.6	33.8	26.1
18.6	30.5	9.5	11.7	Video game machine	29.5	22.9	13.7	19.6
40.9	20.4	22.8	24.7	A telephone	38.8	42.0	42.7	42.4
58.3	32.9	24.4	32.6	Phone answering machine	62.9	44.1	46.4	47.9
NS	NS	19.4	20.8	Blank video cassette tapes	NS	NS	35.7	31.1
NS	NS	NS	15.1	Portable AM/FM stereo radio w/speakers	NS	NS	NS	25.1
NS	17.8	16.0	24.3	Car stereo equipment	NS	25.2	33.9	43.9
NS	15.4	12.7	18.8	Personal portable stereo w/headphones	NS	27.0	22.7	28.3
NS	NS	NS	23.7	Clock/radio/telephone	NS	NS	NS	49.2
NS	23.5	27.5	31.6	Typewriter	NS	27.5	35.2	34.8
NS	NS	22.7	22.3	Printing calculator	NS	NS	36.2	54.9
NS	NS	NS	15.8	Desk top organizer	NS	NS	NS	66.6
NS	NS	NS	15.5	Sewing machine	NS	NS	NS	23.5
NS	14.0	14.8	11.9	Sewing patterns	NS	18.7	26.6	20.0
NS	19.5	12.0	17.5	Craft kits	NS	50.1	54.3	47.8
56.0	29.2	24.9	21.5	Microwave oven	58.6	33.0	29.9	25.7
NS	18.7	25.9	19.1	Microwave bakeware & accessories	NS	30.0	41.8	46.0
NS	NS	16.5	18.9	Vacuum cleaner	NS	NS	18.3	20.0
NS	NS	4.9	14.4	Bathroom scale	NS	NS	50.0	62.0
NS	NS	NS	21.1	Electric razor	NS	NS	NS	20.1
NS	NS	NS	12.4	Electric mixer	NS	NS	NS	25.7
NS	NS	21.9	17.1	Smoke detector	NS	NS	42.0	44.9
NS	NS	22.2	17.5	Automatic garage door opener	NS	NS	29.6	45.0
42.9	22.7	22.0	16.7	Electronic bug killer	58.3	54.8	59.1	59.7
45.8	31.9	20.6	19.0	Barbecue grill	56.9	46.0	43.2	51.4
NS	NS	25.5	23.0	A set of patio furniture	NS	NS	55.3	71.6
NS	NS	NS	1.1	Leaf blower	NS	NS	NS	63.3
49.0	23.0	20.4	16.3	35mm camera	39.7	21.9	12.2	14.9
26.1	28.0	9.3	12.2	Instant camera	25.0	29.3	15.1	16.3
31.3	15.9	13.8	25.0	Bicycle	36.2	34.9	32.3	32.2
NS	NS	9.8	23.7	Tennis racquet	NS	NS	31.4	35.2
38.2	33.5	38.1	35.6	Home computer	45.1	31.9	26.4	27.2
NS	NS	12.3	18.0	Paperback romance novels	NS	NS	41.5	50.3
NS	NS	12.2	12.4	Do-it-yourself books/instruction manuals	NS	NS	55.4	61.0
NS	NS	NS	16.9	Ready-made curtains	NS	NS	NS	63.7
NS	NS	NS	9.8	Electric blanket	NS	NS	NS	51.5
49.9	24.3	17.4	21.5	Luggage	51.1	37.6	35.3	42.7
NS	NS	NS	13.2	Child's car seat	NS	NS	NS	32.5
NS	NS	15.9	24.2	A watch	NS	NS	18.7	22.8
NS	NS	11.8	9.9	Facial moisturizer	NS	NS	18.6	13.9

*Percentage of consumers without preference
NS Not studied
Source: Chain Store Age/Leo Shapiro & Associates

be in stock on the important brands as there are few names the consumer spontaneously mentions. More often than not the consumer is conditioned by advertising to select from a narrow list of brands.

For these products, which usually carry low margins, few stores have established themselves as reference points against which other stores measure themselves. As

most stores are constantly price promoting the products, retailers must be sure they have hot prices.

Low brand/high store products include bathroom scales, electronic bug killers, leaf blowers, desk top organizers, DIY instruction manuals, ready-made curtains and electric blankets.

For these items consumers rely heavily on stores. They care less

about the brand they buy. Instead, they trust the store. Accordingly, the potential for private label is great. Retailers may do well to minimally stock brands and develop their own alternatives.

For low brand/low store products retailers should rely on self-service techniques of staking out items in high traffic areas with dominant displays. As brands are a low preference, private label may work here too. For this group, maybe more than any other, a retailer's skill is required as there is no pull on the consumer either to his store or to a particular brand.

The products include microwave bakeware, smoke detectors, automatic garage door openers, barbecue grills, patio furniture, telephones, telephone answering machines, clock/radio/telephones, car stereos, printing calculators, craft kits, paperback romance novels and luggage.

Store reasons: Why does a consumer pick a particular retailer? In three years of analysis, the overall reasoning has changed little. Price has edged up a little in importance and selection has locked in a steady second place consideration.

A keener understanding can be had from looking at individual store performances. Discount stores, particularly K mart, remain true to their heritage. Price is far and away most important.

For Sears, selection and satisfaction have been hard to pin down. Selection gained then lost in importance, while the opposite was true for satisfaction.

The leaders of Montgomery Ward cannot help but gain confidence from the CSA/Shapiro results. For the second straight year selection scored higher, while this year was the first time credit availability did not exceed double digits. Ward also appears to be favorably impressing its customers as it registered a hefty improvement in the satisfaction column compared to a year ago.

So did department stores which, as a group, showed a near 14% improvement in price/discount ratings, no doubt a result of the price slashing to compete with off-price stores. □

Family Dollar keeps it below \$15.99

Two things have become abundantly clear about the direction retailing has taken in the last several years. The first is that the quality of a store's merchandise and the selection it offers are becoming more important to shoppers. The other is that, despite this trend, price remains far and away the crucial shopping consideration to the typical general merchandise customer.

Family Dollar Stores is a chain whose extraordinary success in the last decade is testament to the continuing importance of price in retailing. The chain has prospered in the rural South, where blue collar is still a prevailing fashion and consumers have not forgotten the harsh economic lessons they learned during the last rounds of inflation and recession.

To serve these customers, Family Dollar has developed a basic merchandising strategy which has as its foundation one simple rule: Keep the price of as much of the merchandise as possible below \$15.99. So carefully does the chain's buying staff adhere to that rule that any new item which would retail for more than \$15.99 must first be approved by a buying committee which includes the chain's president, Lewis Levine.

"There are two criteria for items above \$15.99 that we'll accept," says Levine. "They have to offer extremely good value, and they must be items shopped on a regular basis during their season of the year."

There is little room for trendy merchandise in Family Dollar's 6,000-8,000-sq.-ft. stores. The chain focuses on everyday merchandise and strives to be the lowest priced on those goods in its markets.

Soft goods constitute about 45% of the chain's mix and Family Dollar generally shoots at one or two price points below other discounters in this merchandise.



Family Dollar matches competitors' prices on identifiable items.

The chain confines a category like women's apparel to casual wear, focusing on tops that can be promoted for as low as \$3 and skirts for about \$6. Men's pants will go off as low as \$9.99, while dress shirts will sell for \$4.99.

On hard goods the chain battles head-to-head with supermarkets and drug chains, whose margins on much of this basic merchandise would make the typical general merchandise retailer blanch. Family Dollar shops these retailers regularly, targeting the most identifiable items, those which make or break a chain's price image, and matches prices with the supers and drug stores.

Even for Family Dollar, however, price alone is not enough. According to Levine, the chain's customers are as interested in value, that is, the relation of price to quality, as customers are in higher niche stores. Family Dollar prospers by continually striving to build value into its mix. In a category like children's wear, for instance, the chain will emphasize sets, like jogging suits, because the perceived value of these ensembles is ex-

tremely high.

The chain frequently goes to the market for opportunistic buys to supplement its regular mix, especially in seasonal goods. Since the typical blue-collar worker buys seasonal goods later than customers of higher priced stores, Family Dollar can hang back longer and make favorable purchases closer to the actual selling season.

That same blue-collar worker, however, is wary of goods marked "irregular," so Family Dollar's orientation as a discount retailer does not include bringing in large amounts of second quality merchandise. Irregulars only make up about 3% of company sales.

Family Dollar has prospered through two recessions with its heavily discounted everyday merchandise and continues to do well now that a better economy is here. Understandably, the chain has no intention of changing its merchandising strategy.

"Even though times are better for our customers, we think there's been a return in this country to a consciousness of value buying," says Levine.

Value held highest at discounters

Discount stores offer consumers the best value for their money. That's the verdict given by respondents to a *Chain Store Age/Better Homes & Gardens* survey of 422 households.

Discount stores received the votes from 31% of those polled, followed by 28% mentioning department stores.

Even among the wealthy, those earning in excess of \$50,000, discounters came out top rated, 28.5%, compared to 27.3% for department stores.

As a group, the Big 3 of Sears, Penney and Montgomery Ward, ranked third with 18.1%. Individually, Sears was mentioned by 8.8%, Penney by 8.1%, and Ward by just 1.2%.

Off-price apparel stores earned top recognition from 10.4% of the sample, while catalog showrooms had 4%, specialty stores 3.8%, mail-order catalogs 2.1% and variety stores 1.2%.

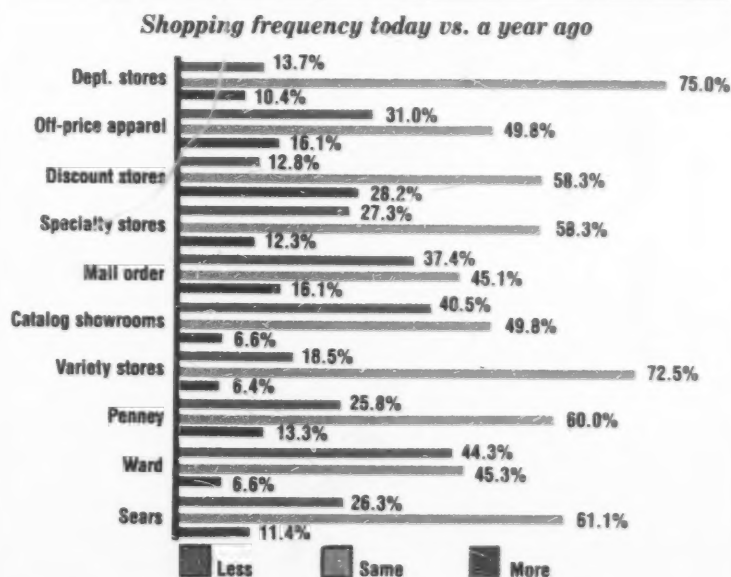
The value ratings of the different classes of trade often translated into a different shopping pattern compared to a year ago.

For example, discount stores

were frequented more often by 28.2% of the sample and less often by just 12.8%. For Ward, on the other hand, just 6.6% said they shopped more often compared to 44.3% who said they shopped there less. This suggests that while Ward's sales have increased, the Chicago-based retailer is doing a better job of selling its core customer rather than attracting more upscale customers, as typified in the *CSA/BH&G* study.

Similarly, on the basis of the *CSA/BH&G* research, the repositioning and remerchandising at Sears and J. C. Penney have been less than stellar in drawing new customers. One quarter of the respondents said they shopped less often at both retailers, while just 13.3% for Penney and 11.4% for Sears said they shopped more often.

One positive note: For Sears, the favorable mentions among those 18-34-year-olds hit 15.8%, a sign that its store of the future program may be winning approval from those moving into the power curve of Sears' customer appeal.



Source: Chain Store Age/Better Homes & Gardens

Dayton Hudson makes shopping easier

The lower level of the downtown Minneapolis Dayton Hudson Dept. Store offers a different kind of bargain these days. Home furnishings now replace the budget apparel, which has been integrated into upstairs departments. The changes reflect the company's view that shopping should be convenient, yet fun, for customers.

"Career people don't have the luxury of time for shopping anymore," says Ken Monroe, vp/gmm of home furnishings. The 100,000-sq.-ft. basement—dubbed "700 Under the Mall"—now conveniently merchandises scaled-down versions of housewares, domestics, tabletop and electronics, which were previously scattered on three different floors.

Additionally, gourmet foods have been added to candy and positioned across from housewares in a streetlike environment for a powerful easy-to-shop presentation called the "Marketplace." "The layout of the store [which is an "L" configuration] lent itself nicely to streets," says Joel Kaplan, director of trend merchandising for the home. "We're very happy with traffic. Customers can easily find their way . . . it's laid out for them."

Vp Monroe points out that this concept is not really new. It is an evolution of the trend that brought budget basement apparel upstairs. Moreover, he says, suburban branches have been merchandising the home lines this way for years.

One major difference, however, is the stronger presentation made in the Minneapolis store by unifying some classifications, like champagne glasses, that had been carried in two different departments such as tabletop and housewares. Kaplan adds, "Customers want to shop this way, it's less tricky. . . . They don't want

THE MARKET

Satisfaction scores big gains for Big 3, dept. store and mail order hard lines

	Price/ Discount	Selection	Quality	Satisfaction	Location/ Convenience	Credit Access	Service/ Repair/ Guarantee	Other	Not Answering
All stores									
'82	28.1	8.1	8.1	7.3	10.0	1.9	3.0	5.3	28.2
'83	28.5	13.3	8.3	6.2	10.9	2.2	2.3	6.9	21.4
'84	30.0	11.0	8.1	8.6	10.6	2.1	3.0	1.9	24.7
K mart									
'82	62.4	7.4	3.3	4.0	16.4	—	1.1	1.3	4.1
'83	70.8	7.0	2.4	4.0	11.9	0.4	0.9	1.3	1.3
'84	70.6	7.9	4.1	2.3	13.8	—	1.3	1.5	3.7
Other disc. dept.									
'82	67.8	6.2	4.1	3.1	10.7	0.3	0.9	2.6	4.3
'83	56.3	9.5	6.1	3.8	13.4	1.1	0.3	3.0	4.5
'84	71.7	7.7	3.2	6.7	9.9	—	0.9	3.1	2.7
Sears									
'82	20.5	5.7	19.6	17.1	12.1	7.6	6.5	5.3	4.6
'83	20.2	14.7	16.2	11.4	12.1	7.1	6.6	8.2	3.5
'84	19.5	7.4	17.5	17.4	14.5	8.0	8.6	0.7	6.4
Ward									
'82	23.9	3.2	10.4	13.7	17.7	14.3	11.2	0.7	4.9
'83	24.4	11.4	12.1	7.8	16.3	15.5	2.1	6.6	4.0
'84	29.4	12.8	11.5	13.0	20.6	6.9	4.0	2.3	3.6
Pennay									
'82	20.1	9.9	15.7	13.4	13.2	16.0	1.9	6.3	2.6
'83	30.7	20.9	13.5	4.1	12.5	8.1	1.0	4.4	4.8
'84	26.1	15.8	12.9	8.7	13.8	12.7	5.8	0.2	4.0
Department store									
'82	37.0	15.4	8.2	10.2	16.7	3.8	2.8	1.6	4.3
'83	23.0	21.2	16.0	8.5	14.4	4.6	1.6	5.3	5.4
'84	33.9	22.4	12.1	14.0	10.0	3.2	4.5	1.6	5.6
Catalog Showroom									
'82	69.9	4.1	5.6	12.8	2.6	—	1.1	0.9	3.0
'83	70.1	6.2	7.3	4.4	7.5	0.7	0.7	1.6	1.5
'84	73.5	5.5	11.0	2.9	5.2	0.4	0.9	1.7	5.8
Specialty store									
'82	19.9	19.4	11.2	10.5	13.8	0.6	5.2	12.8	6.6
'83	20.8	22.6	10.9	9.1	11.9	0.7	4.0	14.3	5.7
'84	23.7	21.0	10.7	11.3	12.6	0.4	3.9	10.0	6.4
Mail order									
'82	53.7	6.8	12.3	1.9	14.8	0.8	2.7	0.8	6.2
'83	27.5	6.4	6.5	14.2	18.6	2.7	—	12.7	11.4
'84	11.3	4.2	10.4	27.5	25.4	1.5	—	11.6	7.9
Factory outlet									
'82	48.9	4.9	5.3	5.4	5.7	—	—	16.9	12.9
'83	57.5	14.8	6.9	—	2.3	—	3.2	7.4	7.9
'84	57.1	17.8	9.9	—	4.2	—	14.2	—	—

Sources: Chain Store Age/Leo J. Shapiro & Associates

to spend the rest of their lives in department stores."

It is for this reason, too, that checkout areas have been highlighted in each department. Large overhead signs reading "Service" help customers locate saleshelp from wherever they are on the floor.

At the Marketplace, dmm George Collins calls this third generation prototype "near perfect." Merchandising personnel have improved upon the adjacencies and fixturing at the first Marketplace in St. Paul. As a re-

sult, Collins expects sales to rise by 35%.

Similar finetuning has already begun for all of 700 Under the Mall. For example, vp Monroe pinpoints signing as a topic under review. He says, "Customers want signs everywhere. Merchants want fewer signs. But the bottom line is that customers should be able to find the price of merchandise without having to look for it."

In electronics, the displays illustrate this point best. Monroe says the best use of signing is on

the telephone wall where each phone had a small sign identifying price, features and manufacturer.

The poorest example was a compact stereo display. In this presentation a small pricetag, not easily visible was attached to each item.

Other customer conveniences found include a bridal registry, movie rental and FYI—Home (a personal shopping service to help customers accessorize their homes). Film processing may be the next feature added. □

CONSUMER ELECTRONICS



Convenience and past experience head list for shopping particular outlets.

CE shoppers want selection/price

Deep discounting and heavy promotion have typified much of the \$28 billion consumer electronics market. Price still remains the reason for choosing an electronics store for 3 out of 10 consumers.

But, according to the CSA/Shapiro study, an even greater number of consumers cite assortment, quality, convenience and past experience as the top reason for shopping a particular outlet.

Catalog showrooms and discount stores are the top choice among shoppers looking for reduced prices. Over 7 out of 10 of their customers say they shop these outlets for

low cost. K mart is the exception.

K mart's addition of brand name electronics products and high-end goods has paid off with dramatically changed consumer perceptions. While almost 60% of the discounters' shoppers still choose the nation's second largest retailer for price/discount, nearly 1 out of 7 now selects K mart for the breadth of its assortment.

Just two years ago, only 1 out of 100 K mart shoppers choose the discounter because of product selection. In fact, the 1984 CSA/Shapiro poll shows K mart shoppers, when asked the primary reason for shop-

ping the store's consumer electronics department, now cite selection as frequently as do specialty and department store shoppers.

The same strategy has worked for Montgomery Ward. The number of its electronics customers who shop there because of selection has increased 192% in the last two years. And unlike K mart, which does not yet show an increased perception in the quality of its electronics line, the number of shoppers who choose Ward because of quality has jumped 282% since 1982.

The overall leader in consumer perception of quality and past satisfaction is Sears. Over 35% of Sears customers shop its consumer electronics department for these two reasons alone. Conversely, price and selection are less important to the Sears customer than they are to any other retail group in the study.

Specialty stores, which hold the largest share of the consumer electronics market, also have the broadest spread in why their customers choose to buy there. While the specialty stores have seen an increase of 30% since 1982 in those who shop them for price, they maintain the highest number (16%) who shop for assortment and reputation (6.4%). Over one-third of their customers cite quality, past experience and convenience as the primary reason for shopping a specialty outlet. □

K mart, Ward strategies change consumer perceptions*

	K mart			Other discounters			Sears			Ward			Penney			Dept. store			Catalog Showroom			Specialty stores		
Deciding factor	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %	'82 %	'83 %	'84 %
Price/discount	70.6	62.3	58.2	70.1	54.0	76.7	12.9	30.2	19.8	26.8	28.2	30.8	19.1	46.2	27.1	42.4	31.9	40.0	89.5	72.6	70.9	19.4	19.1	25.2
Selection	1.0	6.9	14.9	6.4	11.0	5.9	4.2	15.0	5.9	4.0	10.4	11.7	2.6	6.2	11.9	13.3	14.1	16.1	—	7.3	8.9	16.2	15.5	16.0
Quality	3.8	1.8	2.2	0.5	4.0	0.9	15.6	16.0	16.5	4.0	7.4	15.3	24.0	8.1	6.3	6.8	7.6	10.1	—	7.1	12.4	10.0	12.8	11.4
Satisfaction/past experience	3.3	5.7	6.7	3.7	5.0	7.4	27.2	5.6	18.8	19.7	7.8	13.0	17.7	7.0	1.6	8.0	10.4	10.7	—	—	2.2	11.9	10.4	11.0
Location/convenience	12.7	17.1	14.4	7.4	12.0	8.5	15.9	10.3	16.3	21.5	18.4	17.8	—	8.2	19.0	14.2	13.4	5.9	—	10.3	5.4	14.6	10.8	11.7
Have an account there/credit	—	—	—	—	1.3	—	7.5	11.3	6.7	15.1	10.8	3.0	20.6	6.2	7.2	8.6	4.6	7.1	—	—	—	0.4	—	0.1
Service/repair/guarantee	—	3.6	—	1.3	1.0	1.9	6.1	6.3	7.7	—	2.9	6.5	—	—	10.1	5.1	3.7	8.1	—	2.7	0.9	6.3	6.5	4.6
Reputation/well-known	—	—	—	1.3	3.0	—	2.5	2.7	2.8	—	4.2	—	—	—	—	—	2.9	2.0	10.5	—	—	3.7	2.1	6.4
Other/not answering	8.6	2.6	3.6	9.3	8.7	4.5	8.4	2.6	5.5	8.9	9.9	2.7	16.0	18.1	14.8	1.6	11.7	8.1	—	0.7	15.4	17.5	22.8	13.6

*May total more than 100% due to multiple responses

Source: Chain Store Age/Leo Shapiro and Associates